

AirArabia



**ANNUAL
REPORT
2020**



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 CHIEF EXECUTIVE OFFICER MESSAGE

Dear Shareholders,

It is important to start by saying that despite what 2020 has caused to the global aviation industry, Air Arabia's operational and financial performance remained fundamentally strong, and we still managed to continue expanding, while taking our cost control measures to a new level. This achievement reflects, once again, the robust business model that Air Arabia operates.

It is fair to say that the global Aviation industry went from experiencing one of its best years in 2019 to its worst year in history in 2020. Despite a strong start of 2020, continued from a strong 2019, the full impact of COVID-19 pandemic on airline operations was fully materialized in the second quarter as a result of border closures and flights suspension across all key markets. This sudden turn of events and the sovereign decisions to combat the spread of COVID-19 turned that head start upside down. Airlines were left to face the biggest challenge in the history of aviation, while also playing a crucial humanitarian role by supporting global relief efforts.

The instantaneous impact of the pandemic has directly led to the bankruptcy of many airlines worldwide and forced governments to bail out and inject liquidity to save airlines globally. Air Arabia's management team took early measures to control overall cost, enhance cash position and ensure business continuity. The measures taken included deferred cost and capital expenditure, workforce restructuring as well as cost rationalization and efficiency, which all resulted in reducing overall cost and preserving liquidity. Air Arabia's robust business model allowed the management team to act fast and take necessary cost control measures while operating a mix of flights that helped mobilize people during this intricate time and support repatriation efforts. We are proud to say that

those combined efforts have successfully helped relief efforts conducted by governments around the region as well as delivering essential cargo. It is also important to state that the company have placed the health and safety of our passengers and employees as top priority, during the slow and limited resumption of business.

Financially, the cost control measures taken were able to reduce the expected losses. It also helped preserved liquidity, which is of essence during such times. Air Arabia was able to limit net loss to AED 192 million for the full year 2020, despite the pandemic's adverse effect on aviation and travel operations during the year. The 2020 full year turnover was AED 1.85 billion, and a total of 4.4 million passengers were served from all five hubs. It is worth noting that, despite dealing with the toughest year that the aviation industry witnessed in its history, Air Arabia still managed to register two profitable quarters in 2020. Air Arabia's ability to record a profitable first and fourth quarter in spite of the continued impact of the COVID-19 pandemic, is a testament to the business model it operates.

While the impact of COVID-19 has its stroll on the industry, the year 2020 witnessed the launch of Air Arabia Abu Dhabi, which was formed following an agreement by Etihad Airways and Air Arabia to establish the capital's first low-cost carrier. The first Air Arabia Abu Dhabi flight took off to Alexandria in July and was followed by the launch of eight additional routes from Abu Dhabi International Airport. The launch of Air Arabia Abu Dhabi during the pandemic is a testament to the strength of the business model we operate and the carrier's management team.

Although the pandemic forced many airports to suspend operations and continues to do so, Air Arabia still added

a total of 14 new routes to its global network in 2020 from its operating hubs in the UAE, Morocco, and Egypt. Direct flights between Sharjah and Tashkent were launched in November while flights from Casablanca to Rennes and Guelmim started in December, in addition to commencing a new route to Malaga from Casablanca and Nador. Air Arabia also added nine new routes from Abu Dhabi International Airport with direct flights to Alexandria, Cairo, Sohag, Dhaka, Kabul, Chattogram, Khartoum, Muscat and Salalah.

We also took delivery of two new Airbus A321 neo-LR aircraft and ended the year with a fleet of 57 Airbus A320 and A321. In October, Air Arabia celebrated 17 years of successful operations that transformed the air travel industry in the wider MENA region by crossing the 100 million passengers since its inception.

Among the many recognitions that we received in 2020 was the number one ranking on Airfinance Journal's list

of top 100 global airlines. We are proud of such global recognitions as it cements our position on the global scene as well as the Arab world preferred airline of choice.

While the year 2021 continues to be a challenging one for the industry, we remain confident about the fundamentals of the aviation sector and the vital role air travel will continue to play in economic recovery. At Air Arabia, we remain focused on adopting further measures to help improve the overall cost structure of the group and will continue to gradually resume operations where possible.

Finally, we would like to close by expressing gratitude to all our employees for their continuous dedication, especially to our operations crew who were at the frontlines during the pandemic, and to the millions of customers who chose to fly Air Arabia: 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 2020 IN REVIEW



- Air Arabia receives a new A321 neo-LR aircraft
- COVID-19 pandemic impacts the global aviation industry
- Air Arabia management takes a series of decisions to protect employees and customers as well as business continuity
- Air Arabia offers customers refunds, rebooking flexibility, and COVID-19 travel information desk
- Launches a COVID-19 medical cover for all passengers
- Air Arabia reports first quarter 2020 net profit of AED 71 million



- Air Arabia has rapidly served cargo demand and other repatriation flights
- Air Arabia supports the World Food Program (WFP) with charter operations during flights suspension
- Air Arabia Abu Dhabi receives Air Operating Certificate



- Air Arabia Abu Dhabi takes to the skies with inaugural flight to Egypt
- Air Arabia Abu Dhabi adds new service to Cairo, Kabul and Dhaka
- Air Arabia receives an additional new A321-LR aircraft
- Air Arabia reports AED 44 million net loss in third quarter as COVID-19 impact continues



- Air Arabia Abu Dhabi adds new flights to Muscat, Khartoum, Chattogram, and Kathmandu
- Air Arabia announces direct flight to Tashkent from Sharjah
- Air Arabia ranks first on Airfinance Journal's list of top 100 global airlines
- Air Arabia wins 'Low-Cost Airline of the Year' honors at Aviation Business Awards
- Air Arabia Maroc launches direct flights to Rennes, Malaga and Guelmim from Casablanca
- Air Arabia Egypt launches direct flights from Assiut to Amman and from Cairo to Muscat
- Air Arabia Maroc launches its summer program 2021 by adding 5 new routes from Morocco to Spain
- Air Arabia reports Q4 2020 net profit of AED 20 million

AWARDS

Air Arabia continues to be recognized locally and internationally for its strong performance and community efforts. In October, Air Arabia was ranked number one on Airfinance Journal's list of top 100 global airlines. In November, Air Arabia's Group Chief Executive Officer received the 2020 Laureate Award from Aviation Week Network for Air Arabia's Airline

Strategy celebrating his and his team's extraordinary achievement in introducing low-cost air travel to the Middle East and North Africa while building and pioneering a sustainably profitable business model. In December, Air Arabia won the 'Low-Cost Airline of the Year' recognition at the 14th Aviation Business Awards (AVB) gala ceremony held in Dubai.



THE LAUNCH OF AIR ARABIA ABU DHABI

July 2020 witnessed the launch of Air Arabia Abu Dhabi, the world's only airline to launch during the COVID-19 pandemic. Originally planned to launch in May 2020, the plans were delayed for 2 months because of the sudden impact of the pandemic on aviation, however, the airline still managed to take to the skies with inaugural flight to Egypt and soon adding eight new destinations to its growing network.

Air Arabia Abu Dhabi is Air Arabia's third hub in the UAE

and fifth globally. The carrier was formed following an agreement by Etihad Airways and Air Arabia to establish an independent joint venture company that will operate as a low-cost passenger airline with Abu Dhabi International Airport as its hub. The capital's first low-cost carrier follows the business model of Air Arabia and complements the services of Etihad Airways from Abu Dhabi thereby catering to the growing low-cost travel market segment in the region.



CHARITY COULD

Air Arabia's corporate social responsibility programme 'Charity Cloud', which aims at providing sustainable education and healthcare initiatives in underprivileged communities across the world, continued its support for its existing projects around the world. The COVID-19 pandemic prevented Charity Cloud from embarking

on any new projects in 2020, however, in February, two initiatives were completed in Morocco with the distribution of clothes and blankets for the ones in need in the cold region of Taza/ Taourirt as well as the distribution of eyeglasses for kids and women in need in Ain Harouda, Casablanca.



RELEIF EFFORTS, MOBILIZATION OF PEOPLE & GOODS

Since the pandemic impact materialized in airport closures and flights suspension, the world's mobility had come to almost a complete stop, leaving a big gap to fill for relief efforts and the movement of people and goods. Despite the challenging time that airlines were going through having to deal with the sudden impact of COVID-19 pandemic on their businesses, Air Arabia spared no time in supporting relief campaigns launched by governments to assist strained citizens all over the world as well as operating cargo flights to move necessary goods during this time. During 2020, Air Arabia operated over 900 repatriation flights across its hubs and regional markets helping mobilize hundreds of thousands of

people to their home countries while also assisting with the movement of medical and humanitarian staff. Air Arabia also assisted the World Food Program (WFP) with their Middle East & CIS Global Humanitarian Passenger Air Service operating close to 100 flights dedicated to mobilizing WFP personnel during the cease of air travel. Air Arabia also operated close to 200 cargo flights during the pandemic moving over 2.1 million tons of cargo across the region.

The supporting role of airlines during the pandemic highlights the importance of air connectivity and the crucial role airlines play in the well-being of humanity.



Service Provision to Humanitarian Community

Middle East and CIS Global Humanitarian Passenger Air Service



FLEET MANAGEMENT

Air Arabia operates one of the youngest fleets in the world comprised entirely of Airbus A320 & A321 aircraft. The carrier has ended the year by receiving 2 new A321 neo-LR aircraft in 2020, and thus has a total of 57 aircraft in its fleet.

Delivery of Air Arabia's lease agreement signed in 2018 for six Airbus (A321neo Long Range) continued with welcoming two of these aircraft in 2020 and therefore completing the delivery of 5 A321 neo-LR. The remaining one aircraft will join Air Arabia's existing fleet in 2021.

Even though the pandemic has forced many airlines around the world to differ their existing aircraft orders, Air Arabia has not made such a decision for its future order signed in 2019 with Airbus to acquire 120 aircraft. Delivery is scheduled to commence in 2024 and will help Air Arabia replace many of its existing aircraft, that by then will be retired from operations, in addition to supporting its overall fleet strength and global network expansion strategy. There are no new aircraft deliveries scheduled between 2020 and 2024.



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 a multi-base business model with strategic hubs located in Sharjah International Airport, UAE; Ras Al Khaimah International Airport, UAE; Abu Dhabi International Airport, UAE; Mohamed V International Airport in Morocco; and Burj Al Arab International Airport in Alexandria, Egypt.

Airlines

Air Arabia (UAE)
Air Arabia (Maroc)
Air Arabia (Egypt)

Ground Handling & MRO

Sharjah Aviation Services (SAS)
Air Arabia Hanger

Flight Operations

Air Arabia Simulator
Alpha Aviation Academy

Hospitality

Centro Sharjah
Radisson Blu Dubai Marina
Alpha Catering UAE

Tourism

Cozmo Travel
Tune Project Arabia

Technology

Information Systems
Associates - (ISA)

AirArabia
UAE • Morocco • Egypt

AirArabia
Simulator

الشارقة لخدمات الطيران
Sharjah Aviation Services

AirArabia
Engineering

Alpha Aviation
Academy

CENTRO
Sharjah

Radisson 
HOTELS & RESORTS

alpha

cozmotravel

ISA
Accelerate Your Growth

sayara
معلوماتية دبي - فنون

CORPORATE
GOVERNANCE
REPORT 2020



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 number 2 of 2015 and law number 26 of 2020 pertaining to 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, and resolution number 3 of 2020 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. 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.

There were no trades made by board members in 2020.

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 2020 for three years:

1. **Sheikh Abdullah Bin Mohammed Al Thani**
Chairman of the Board
2. **Adel Abdullah Al Ali**
Executive member
3. **Sheikh Mohammed Bin Abdullah Al Thani**
Independent member
4. **Sheikh Khalid Bin Issam Al Qassimi**
Independent member
5. **Waleed Ibrahim Al Sayegh**
Independent member
6. **Matar Al Blooshi**
Independent member
7. **Samer Katerji**
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

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.

Adel has been awarded 'Airline CEO of the year' by various industry forums. He recently received the prestigious 2020 Laureate Award for extraordinary achievement in airline strategy. Earlier he won the "Airline Business Award" at the esteemed Airline Strategy Awards and he was also named 'World's best Low Cost Carrier CEO' during the World LCC Congress. Adel has also entered the "Hall of Fame Award" in honoring his contribution to the Middle East Aviation.



Sheikh Mohammed Bin Abdullah Al Thani

Air Arabia Board Member since March 2011, Former Chairman – Department of Statistics.

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, and then Chairman of that department till 2019.

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 Mohammed Bin Abdullah Al Thani

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

H.E. Sheikh Khalid Bin Isam 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 nominated as Chairman of Sharjah Civil Aviation.

Besides the above stated responsibilities, Mr. Al Qassimi is a board member of the General Civil Aviation Authority, part of the Federal Government of the United Arab Emirates.

Sheikh Khalid holds a bachelor's degree in commerce, and a master's 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.



Matar Al Blooshi

Air Arabia Board Member since 2019

Mr. Matar Al Blooshi, a national of the United Arab Emirates, with over 22 years' experience in financial and fund management industry. He started his career in January 1992 with the Central Bank of the United Arab Emirates as a Dealer in the treasury department. In July 1995 he joined Abu Dhabi Investment Company as a Portfolio Manager, in June 1998 he joined First Gulf Bank as Head of Treasury & Investment Division and then he moved to National Bank of Abu Dhabi in March 2001 as a Head of Foreign Exchange and Commodities Department. In February 2005 Mr. Al Blooshi became the Head of Domestic Capital Market Group and the General Manager of Abu Dhabi Financial Services (Subsidiary of National Bank of Abu Dhabi) and he was given the title of Senior Manager / Asset Management Group in October 2006.

Currently Mr. Al Blooshi is the Chief Investment Officer at Das Holding LLC, a Member of the Board of Directors of First Energy Bank in Bahrain, Al Salam Bank Bahrain, Etisalat Misr and Chairman of Maalem Holdings in Bahrain.

Mr. Al Blooshi is a hard-working group leader, with excellent interpersonal analytical and problem solving skills and building numerous contacts within the investment arena.

Mr. Al Blooshi holds a B.A in Banking & Financial Management from University of Arkansas, USA (1991).



Samer Katerji

Air Arabia Board Member since 2020

Mr. Katerji is an experienced Investment Professional with a demonstrated history of working in the financial services and investments industry for over 22 years. Throughout his career, Mr. Katerji has led the formulation and structuring of complex corporate finance transactions across a multitude of industries and regional markets. He is skilled in Mergers & Acquisitions (M&A), Strategic Financial Advisory, Capital Optimization and Restructuring as well as structuring of Capital Markets financing instruments, both in equity and debt products. Mr. Katerji also has experience in the transportation and logistics sector and was previously involved in the IPO of Air Arabia PJSC, IPO of Royal Jordanian, IPO of Aramex, and the IPO of DP World.

Mr. Katerji is currently the CEO & Managing Director for Trussbridge, an investment advisory firm located in the DIFC, & regulated by the DFSA. Within this role Mr. Katerji has led and developed a strong execution team to conclude some very high profile transactions in the region, whilst also winning some prestigious awards, within the financial services industry. Prior to this role, Mr. Katerji led the Financial Institutions and Financial Sponsors advisory practice for Citigroup Global Markets in the Middle East and played a key role in the development of the franchise in the region. Mr. Katerji also held key positions at SHUAA Capital in Dubai, PrimeCorp Finance and Middle East Capital Group, in Beirut. Mr. Katerji holds a Masters Degree in Business Administration, Bachelor Degree in Business Administration and Bachelor Degree in Science – Biology from the American University of Beirut.

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.
2. Mr. Waleed Al Sayegh is board member of Invest Bank
3. Mr. Matar Al Blooshi is a board member of Al Salam Bank (Bahrain)

b. Female representation in the board:

The current board was elected during 2020'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. 2019: AED 5.875 Approved by AGM
2. 2019: No Attendance Allowance was given.
3. 2020: No remuneration recommendation was passed to the AGM.
4. Other payments, allowances, payments made to board members: None.

e. Board meetings and attendees:

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

f. Resolutions passed by circulation:

None.

g. 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.

h. Transactions with related parties:

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

i. Senior Staff Pay details:

Group CEO: AED 4.4M during 2020 plus accommodation and transportation.

Senior Management team: which is formed of 6 members, and their total remuneration is AED 7.52M which includes, Salaries, Allowances, and children's education.

Note: pay during 2020 was impacted by COVID 19 cost control measures.

The corporate structure is presented in appendix 4.

4.External Accounts Auditor: Grant Thornton (GT)

a) Introduction about the Auditors to the Shareholders:

Grant Thornton has been appointed as the Auditors of the Company for the year 2020. It is one of the leading and independent international organizations providing audit, tax and consulting services. Grant Thornton International has been providing professional services for more than a hundred years in more than 130 countries and operating more than 700 offices worldwide. Grant Thornton International has more than 50,000 employees working at the member firms around the world.

Grant Thornton UAE is a member firm of Grant Thornton International Limited, which was established in 1966. Grant Thornton has been able to gain good reputation in providing excellent services to companies locally, regionally and globally. Grant Thornton UAE has more than 250 employees including 20 partners.

Grant Thornton UAE provides services including auditing, tax, consulting, internal audit, fact finding and IT consulting services through its offices in UAE.

b) Statement of fees and costs for the audit or services provided by the external auditor is shown in the following table:

Name of the audit firm and the audit partner	Grant Thornton Auditing and Accounting Dr. Osama El-Bakry (since 2019)
Number of years spent as an external auditor in the Company	Since 2019
Total audit fees for the year 2019	AED 465,000
Fees and costs of other private services other than audit of the financial statements for the year 2019 (AED), if any, and in the absence of any other fees, to be stated clearly	n/a
Details and nature of the other services provided (if any) and in the absence of other services, to be stated clearly	PKF was requested to assess the Goodwill value

5. Audit Committee:

This committee was formed in accordance with the rules and regulations governing corporate governance. The board has also assigned the responsibility of Risk Management to the audit committee.

The committee is formed of three members:

Mr. Waleed Al Sayegh	Chairman
Mr. Matar Al Blooshi	Member
Mr. Samer Katerji	Member

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

The general duties of the committee are as follows:

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

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

b. Table with meeting dates and attendees:

Furthermore, appendix 2 contains the committee's 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 Sayegh	Member

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

- Set the board's nominations policy, one that supports a mixed gender board.
- Manage the process of board nomination, in line with the rules and regulations governing it including SCA's Chairman's resolution number 7/2016.
- Ensure that independent directors continue to be independent for the duration of their terms of office.
- Articulate a policy governing board members remuneration, staff bonuses, benefits, incentives, and salaries; this is to be reviewed on an annual basis.

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.

7. 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 public. It also states the necessity to identify the traders' insider status to the broker to take the necessary approvals from the authorities.

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

8. The internal control system

The board confirms its full responsibility over the functionality and robustness of the internal control system.

Head of Internal Audit is Mr. Mohammed Al Basha.

Qualifications: He holds a bachelor's in accounting (1989) and Professional Certification in Audit from the USA.

Date of appointment: 2013

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, to determine the facts and causes of suspected irregularities.

11. Ensure that improvement to existing policies, practices and procedures are developed 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.

9. Details of violations committed.

There were no major violations.

ESCA has fined Air Arabia AED4,000 for the late payment of registration renewal fees (AED10,000) which was due in June 2020. The renewal was due at the peak of COVID19 impact, at the time all cash outflows were reviewed. The overall sentiment was that all government fees were relaxed and could accommodate delays. However, this particular fee was not, and the fine was imposed due to the late payment.

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

Without any doubt, the company is part of the society, and cannot be disintegrated from it; and that is why Air Arabia does not only provide value for money convenient travel but also works hard to upgrade the lives of the people in need in the societies it operates within. The company achieves this by sharing the responsibility of these communities locally and regionally, and this plays an integral part of the company's success.

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 a bid to improve existing services and assist those in need, Charity Cloud undertook multiple projects over the years. Several clinics were refurbished, and a continuous supply of necessities provided. Paying special attention to educating the leaders of tomorrow, 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 such as facilitation of the children's cancer clinic in Egypt.

The airline takes extreme care to people of determination, and assistance is always provided at airports and during travel. Accordingly, the company has set aside special services to cater to their needs and considered them in all infrastructure plans.

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

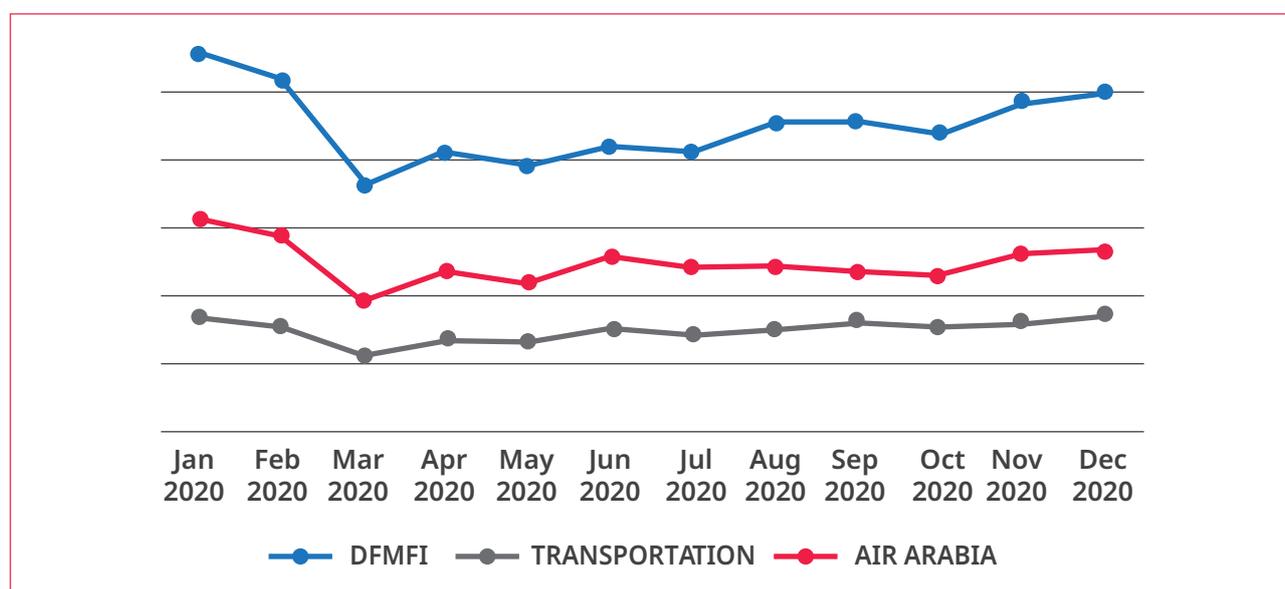
The company also follows a policy of minimizing printed paper and heavily depend on recycled to preserve forests.

11. General Information:

a) Air Arabia Share price details by month end:

Month	Lowest Price	Highest Price	Closing Price
Jan 2020	1.51	1.61	1.52
Feb 2020	1.34	1.61	1.4
Mar 2020	0.867	1.4	0.951
Apr 2020	0.870	1.17	1.14
May 2020	0.990	1.13	1.04
Jun 2020	1.040	1.27	1.23
Jul 2020	1.11	1.25	1.15
Aug 2020	1.10	1.2	1.16
Sep 2020	1.11	1.19	1.12
Oct 2020	1.07	1.14	1.1
Nov 2020	1.07	1.27	1.24
Dec 2020	1.17	1.31	1.28

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	6,000	0.0001
BANK	GCC	5,846,000	0.1253
BANK	OTHERS	958,175	0.0205
BANK	UAE	121,779,263	2.6095
Company	ARAB	1,642,996	0.0352
Company	GCC	120,018,967	2.5718
Company	OTHERS	530,819,417	11.3746
Company	UAE	2,640,859,206	56.5894
Government	UAE	5,071,728	0.1087
Individual	ARAB	92,249,181	1.9768
Individual	GCC	123,014,473	2.6360
Individual	OTHERS	64,805,354	1.3887
Individual	UAE	901,414,954	19.3159
(SOLE PROPERTY)	GCC	900,000	0.0193
(SOLE PROPERTY)	OTHERS	304,600	0.0065
(SOLE PROPERTY)	UAE	57,009,686	1.2216

c) Air Arabia Ownership breakdown by year end:

Investor Name	QTY	%
Sharjah Asset Management LLC	865,904,256	18.55%
AL MAHA HOLDING COMPANY (FZE)	429,613,509	9.21%
East and West International Group	280,266,779	6%
Bond Investments LLC	274,375,982	5.87%

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	11,808	154,912,286	3.320 %
50,000 to 500,000	1,895	264,729,690	5.673 %
500K to 5M	470	638,514,638	13.682%
More than 5M	85	3,608,543,386	77.325%
Total	14,258	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, along with the Group CEO, Group Director of Finance and Group Director of Corporate Communications who together 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.

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 Investor Relations team address them with the quarter update, followed by question-and-answer session.

g) Extra Ordinary resolutions:

None.

h) Board Secretary:

- Mr. Abdelrahman Bin Taliah
- Appointed in 2007
- Qualifications:
 - Masters Degree in Strategic Management and Leadership
 - Masters Degree in Project Management
 - Bachelors in Finance and Management
 - Certified Board Member by Hawkama
 - Certified Board Secretary by Hawkama
 - Graduate of UAE Federal Government Leadership Program
 - Graduate of Shk Mohammed Bin Rashid Leadership Program
- As a board secretary Mr. Bin Taliah is responsible to coordinate between the Board and the executive management, setting up the board meetings and distributing the necessary invitations and agenda packs, and keeping custody of the minutes and resolutions passed.

Furthermore, Mr. Bin Taliah's duties as board secretary are separate from his other daily duties as he overlooks International Affairs, Government Relations, Investor Relations, and some of the group subsidiaries.

i) Major events in 2020:

Q1

- Air Arabia delivers track record 2019 net profit of over AED 1 Billion
- Air Arabia receives a new A321-LR aircraft
- COVID-19 pandemic impacts the global aviation industry where passenger traffic was affected; Air Arabia has rapidly served cargo demand and other repatriation flights
- Air Arabia also took its customer commitment to the next level, by offering refunds, rebooking flexibility, setting up a COVID-19 travel information details on the website to provide the latest updates travel requirements, and launches a COVID-19 medical cover for all passengers
- Air Arabia management takes a series of decisions to protect employees and customers as well as business continuity

Q2

- Air Arabia Abu Dhabi receives Air Operating Certificate
- Air Arabia reports first quarter 2020 net profit of AED 71 million

Q3

- Air Arabia Abu Dhabi takes to the skies with inaugural flight to Egypt
- Air Arabia Abu Dhabi launches new service to Kabul and Dhaka
- Air Arabia reports AED 169 million first half 2020 net loss due to impact of COVID-19
- Air Arabia Abu Dhabi expands operations to Egypt; launches new flights to Cairo
- Air Arabia receives an additional new A321-LR aircraft

Q4

- Air Arabia Abu Dhabi launches new direct flights to Muscat, Khartoum, Chattogram, and Kathmandu
- Air Arabia announces direct flight to Tashkent from Sharjah
- Air Arabia ranks first on Airfinance Journal's list of top 100 global airlines
- Air Arabia reports AED 44 million net loss in third quarter as COVID-19 impact continues
- Air Arabia wins 'Low-Cost Airline of the Year' honour at Aviation Business Awards
- Air Arabia Maroc launches direct flights to Rennes, Malaga and Guelmim from Casablanca
- Air Arabia Egypt launches direct flights from Assiut to Amman

j) UAE Nationals Percentage:

Air Arabia welcomes UAE nationals to explore all available vacancies and encourages them to join the aviation sectors which embraces within it several very exciting fields. Within Air Arabia, UAE nationals are concentrated in various department. Some are located at Head Office managerial posts, the operations division also host

several UAE national pilots, and the Engineering and Maintenance team also comprises of very talented, hardworking UAE nationals.

Even though 50% of Air Arabia's workforce consists of Cabin Crew, Technicians, and call center agents, these areas do not fall under the radar of interest of UAE nationals today.

Year	Total Staff Number	Number of Cabin Crew, Technicians, and Call Center	UAE Nationals	Percentage of UAE nationals less CC, Tech, and Call Center
2018	2000	1050	20	2.1%
2019	2100	1100	22	2.2%
2020	1353	678	20	2.95%

k) Innovations During the year:

This year was a very difficult and unprecedented one due to COVID-19 pandemic, and its impact on the aviation sector. The management has concentrated during the

year to preserve liquidity and ensure business continuity, given what could be the most difficult time in aviation history.

Abdullah Bin Mohammed Al Thani	Waleed Al Sayegh	Mohammed Bin Abdullah Al Thani	Mohammed Al Basha
Chairman of the Board	Chairman Audit Committee	Chairman Remuneration Committee	Head of Internal Audit

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	Waleed	Matar
1	9.2.2020	Y	Y	Y	Y Rep. by Shk. Khalid	Y	Y	Y
		Shk. Abdullah	Adel Ali	Shk.	Shk. Khalid	Waleed	Matar	Samer
2	23.3.2020	Y	Y	Y	Y	Y	Y	Y
3	14.5.2020	Y	Y	Y	Y	Y	Y	Y
4	10.8.2020	Y	Y	Y	Y	Y	Y	Y
5	10.11.2020	Y	Y	Y	N	Y	Y	Y

Appendix 2

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

Audit Committee Meeting	Date	Waleed	Shk. Khalid	Dr. Ghanem
1	9.2.2020	Y	Y	Y
Audit Committee Meeting	Date	Waleed	Matar	Samer
2	1.10.2020	Y	Y	Y
3	26.10.2020	Y	Y	Y
4	10.11.2020	Y	Y	Y

Appendix 3

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

Remuneration Committee Meeting	Date	Shk. Mohammed (Rep by Shk Khalid)	Shk. Khalid	Waleed
1	9.2.2020	Y	Y	Y

Appendix 4

