

AirArabia

ANNUAL REPORT 2018





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



TABLE OF CONTENTS

| | |
|--|----|
| VISION AND MISSION | 02 |
| CHAIRMAN & GROUP CHIEF EXECUTIVE OFFICER MESSAGE | 04 |
| THE YEAR 2018 IN REVIEW | 06 |
| CORPORATE SOCIAL RESPONSIBILITY | 09 |
| 15 YEARS YOUNG | 10 |
| THE AIR ARABIA GROUP | 12 |
| FLEET MANAGEMENT | 13 |
| CORPORATE GOVERNANCE REPORT | 14 |
| CONSOLIDATED FINANCIAL STATEMENT | 30 |



• OUR VISION

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

- Profit Margin
- Innovation
- Reputation
- Operational Excellence



• OUR MISSION

“To revolutionize 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:

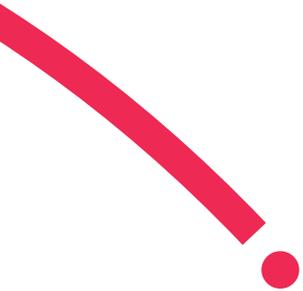
Be known for our low fares

Grow our business profitably

Build motivated multi-functional teams

Demonstrate the highest operational standards

• Manage our costs ruthlessly



CHAIRMAN & GROUP CEO LETTER

Dear Shareholders,

Air Arabia's operational and financial performance in 2018 remained fundamentally strong and was driven by the carrier's network expansion strategy, cost control measures and the appealing customer demand to our services.

The regional geo-political challenges continued in 2018 to impact the performance of the aviation sector in the region, in addition to the effect of oil and currency fluctuation on the bottom-line. None-the-less, we are glad that Air Arabia continued to report solid and sustained growth margins which reflects the strength of its business model.

Turnover for the full year 2018 exceeded the four-billion-dirham mark for the first time and registered AED 4.12 billion, 10 per cent higher than the turnover recorded in 2017. More than 11 million passengers flew with Air Arabia Group in 2018, an increase of 7.5 per cent compared to 2017 while the average seat load factor for the year – or passengers carried as a percentage of

available seats – stood at an impressive 81 per cent. While we expect this growth, solid operating metrics and the high seat load factor to continue, we will remain focused on innovation, efficiency and cost control.

Air Arabia added 26 new routes to its global network in 2018 from its operating hubs in the UAE, Morocco and Egypt. The carrier took delivery of 3 new aircraft and ended the year with a fleet of 53 Airbus A320 aircraft operating to over 155 routes across the Middle East, Africa, Asia and Europe. In October, Air Arabia celebrated 15 years of successful operations which transformed the air travel industry in the wider MENA region by unveiling a new brand identity that is reflective of its innovative forward-looking and international approach.

Air Arabia Group also disclosed in June 2018 that as part of its diverse investment portfolio, it has investments outstanding with private equity firm Abraaj that is currently going through a court-supervised restructuring. Since then, the Group has taken a series of legal and financial steps in relation to this exposure

that aims to manage the investment value while maximizing the realization of this investment in the best interests of the company and its investors. The Board of Directors proposed impairment in relation to the Group's financial exposure as a pragmatic approach to handle the future investment value of this exposure. This step will allow the Group to manage this issue while the company focuses on growing and moving the business forward. While such processes take time, we have full confidence in the efforts done by our teams and when the verdict and any gains to the company happen, it will be fully reinstated into our financial statements. Air Arabia continues to be amongst the world's most profitable airlines and this overall exposure has no

significant impact on our operations or the company's liquidity status.

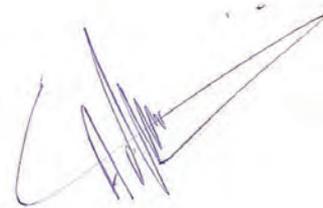
We expect the strong financial and operational results that Air Arabia achieved in 2018 to continue as the long-term fundamentals of the aviation sector in the region and the underlying demand for affordable air travel remain strong.

Finally, we would like to close by expressing gratitude to all our employees for their continuous dedication and hard work and to the 85 million customers who chose to fly Air Arabia since our first flight; and as always you, shareholders, for your continued support.

Yours Sincerely,



Abdullah Bin Mohammed Al Thani
Chairman



Adel Abdullah Al Ali
Board Member and Group CEO



THE YEAR 2018 IN REVIEW

Major Highlights 2018

Air Arabia adds 3 new Airbus A320 aircraft to its fleet.

Air Arabia signs an agreement with SAP to develop a new human resource management system based on cloud computing applications.

Air Arabia celebrates 15 years by launching new brand identity.

Air Arabia adopts Thales to manage the Aviobook Electronic Flight Bag (EFB) on its fleet.

RAK Bank and Air Arabia launch their first MasterCard credit card.

Air Arabia Maroc starts domestic flights in Morocco.



Group Operational Performance 2018

 **Revenue**
AED 4.12 Billion ▲ 10%

 **Seat Capacity**
14 million ▲ 7%

 **Pax Carried**
11 million ▲ 7.5%

 **New Launches**
26 new routes

 **OTP**
85 %

New Routes added 2018

March
Sharjah – Kabul
Sohag – Jeddah
Sohag – Kuwait

May
Alexandria – Bergamo
Sharm El Sheikh – Beirut
Hurghada – Sharm El Sheikh
Casablanca – Nador
Alexandria – Sharm El Sheikh

October
Tangier – Marrakech
Casablanca – Dakhla
Marrakech – Dakhla
Agadir – Rabat
Marrakech – Vienna
Tangier – Nador
Tangier – Fez
Agadir – Basel
Fez – Errachidia
Fez – Agadir
Agadir – Birmingham
Tangier – Agadir

November
Assiut – Kuwait
Luxor – Kuwait
Sharjah – Sulaimaniyah
Marrakech – Zagora
Sharjah – Prague
Assiut – Jeddah
Sharm El Sheikh – Bergamo
Luxor – Jeddah

AWARDS

Air Arabia continues to be recognised, locally and internationally for its strong performance and community efforts. In March, Air Arabia received the 'Corporate Editor Choice Award' at the 2018 Air Transport Awards organised by Air Transport News held in Dubai, UAE. This accolade is a demonstration of Air Arabia's continued commitment to

passenger satisfaction and development within the industry.

The carrier also won Best Arabian Airline 2018 at the Asian Arab Awards held in Bangalore, India, and in December 2018, Air Arabia was also honored the Aviation Achievement Award commemorating its 15 years of success.



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, embarked on 10 new projects spread across its

global network. Amongst the key projects delivered in 2018 was setting up the first Charity Cloud School and maternity clinic in Kenya in addition to expanding charity cloud clinics in Sri Lanka, Bangladesh and Egypt.



15 YEARS YOUNG

In October 2018, Air Arabia celebrated 15 years of successful operations which transformed the air travel industry in the wider MENA region by unveiling a new brand identity that is reflective of its innovative forward-looking and international approach.

The unveiling took place during a launch ceremony at the Air Arabia hangar in Sharjah International Airport where guests and press got to view the carrier's new corporate identity

including the new aircraft livery and interior through a live display of one of Air Arabia's newly branded Airbus A320 aircraft.

The new brand identity is derived from the creative idea of 'Modern Nomads', reflecting the positioning of Air Arabia as an airline of true value that connect with the young, adventurous, and those who are eager to travel, discover new places and collect new experiences.





AIR ARABIA GROUP

Air Arabia (PJSC), listed on the Dubai Financial Market and traded under ticker symbol: (DFM:AIRARABIA) is a holding company with assets worth over AED 12 billion. Established with a modest capital back in October 2003 as the region's first low-cost carrier, Air Arabia today consists of a group of airlines and companies offering travel and tourism services across the globe.

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

| | | |
|--|--|--|
| <p>Airlines</p> <p>Air Arabia (UAE) Air Arabia (Maroc) Air Arabia (Egypt)</p> | <p>Ground Handling & MRO</p> <p>Sharjah Aviation Services (SAS) Air Arabia Hanger</p> | <p>Flight Operations</p> <p>Air Arabia Simulator Alpha Aviation Academy</p> |
| <p>Hospitality</p> <p>Centro Sharjah Radisson Blu Dubai Marina Alpha Catering UAE</p> | <p>Tourism</p> <p>Cozmo Travel Tune Project Arabia</p> | <p>Technology</p> <p>Information Systems Associates - (ISA)</p> |

AirArabia
Simulator



AirArabia
Engineering



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 3 new aircraft in 2018, and thus has a total of 53 aircraft in its fleet.

Moreover, Air Arabia signed a lease agreement for five Airbus (A321neo Long Range) aircraft. These additional

aircraft will join Air Arabia's fleet in 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 53 Airbus A320 aircraft that serve over 155 routes from four hubs in the UAE (Sharjah and Ras Al Khaimah), Morocco and Egypt.





| | | |
|--------------|---------|--------------|
| (17,092,000) | 21,000 | 9,123,000 |
| (1,107,000) | (1,000) | 271,000 |
| | | 172,000 |
| | | 50,000 |
| | | 1,000 |
| | | 6,264,000 |
| | | 3,264,000 |
| | | 275,000 |
| | | (309,000) |
| | | 21,000 |
| | | (17,092,000) |
| | | 21,000 |
| | | 18,679,000 |
| | | 18,679,000 |



CORPORATE
GOVERNANCE
REPORT 2018



CORPORATE GOVERNANCE REPORT 2018

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.

Trades in 2018:

Dr. Ghanem Al Hajri purchased 3,000,000 shares during the year.

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:

| | |
|--|-----------------------|
| 1. Sheikh Abdullah Bin Mohammed Al Thani | Chairman of the Board |
| 2. Adel Abdullah Ali | Executive member |
| 3. Dr. Ghanem Mohammed Al Hajri | Independent member |
| 4. Sheikh Mohammed Bin Abdullah Al Thani | Independent member |
| 5. Sheikh Khalid Bin Issam Al Qassimi | Independent member |
| 6. Waleed Ibrahim Al Sayegh | Independent member |

In 2018, the board appointed Mr. Matar Al Blooshi as Independent Board member, subject to the AGM's ratification

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

Group 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 with the launch of 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 drove Air Arabia's growth into the largest low cost carrier in the MENA region, as well as the largest publicly listed airline in the Arab World. Drawing on his multiple years of experience with industry leaders such as Gulf Air and British Airways, Adel has also been able to guide Air Arabia to become amongst the world's best run Low Cost Carriers, delivering a profit for every year in succession.



Dr. Ghanem Al Hajiri

Air Arabia Board Member since 2003 & former Chairman of Sharjah Airport Authority

Dr. Ghanem Al Hajiri last served as the Chairman of Sharjah International Airport; Dr. Al Hajiri assumed various posts in the aviation sector locally and internationally. He served as Director General of Sharjah International Airport for over 15 years and he also serves as Secretary General of the Gulf Airports Services Association & Arab Airports Council.

Besides that Dr. Ghanem Al Hajiri is a board member of the Airports Council International (ACI) since 1991 & served in numerous management positions there till he was elected as deputy chairman, before assuming the position of Airports Council International Chairman. Dr. Ghanem is one of the first UAE Nationals holding a PhD in Air Transport; he was awarded the degree in United Kingdom. He also has a master's degree in Airport Planning, and a bachelor's degree in management. a bachelor's degree in management.



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 the Department of Civil Aviation of Sharjah

H.E. Sheikh Khalid Bin Issam Al Qassimi is the Chairman of the Department of Civil Aviation in Sharjah, he also is a member of the Executive Council of Sharjah Government, which is Chaired by H.H. Crown Prince of Sharjah. Through his career, Sheikh Khalid has served in various posts in both Sharjah Airport Authority, and Department of Civil Aviation. In 2012 he was appointed as Director General of Sharjah Civil aviation, and in early 2014 Sheikh Khalid was elected as Chairman of Sharjah Civil Aviation.

Besides the above stated responsibilities, H.E. 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 of 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 2018

Mr. Matar Al Blooshi, has 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).

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).

3. Membership in other Public Companies in UAE:

1. Sheikh 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. Matar Al Blooshi is a board member of Al Salam Bank (Bahrain)

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. 2018's AGM approved AED 5.875 M as remuneration for the year 2017.
2. The board of directors recommended no remuneration for the year 2018.
3. None of the board members received "attendance allowance" or any other allowance for that matter.

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 5.4M per year plus accommodation and transportation.

Senior Management team: which is formed of 4 members, and their total remuneration is AED 5.62 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 2018 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.

On the other hand, PKF was appointed to reassess the Goodwill.

The Board had recommended appointing Grant Thornton as independent auditors for 2019 and had recommended total fees of AED 465,000/-. The Annual General Meeting is yet to approve the same.

Auditors Qualifications in the Audited Financial Statements: None.

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:

- 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.

- 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:

| | |
|--------------------------|----------|
| Sheikh 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.
- Review the board structure, and raise recommendations.
- Identify the company's needs of senior executive management, and other members of the management team and defining the criteria of selection.
- To annually review the human resources policies, and adopt the human resource policies and training, and ensure proper implementation.

The corporate governance manual contains details of the functions, duties and responsibilities of the committee. Appendix No. 3 contains a schedule of meetings with dates and attendance during the year.

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 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.

8. 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.

9. Details of violations committed

ESCA has issued a fine of AED 10,000 due to the late reporting of XBRL.

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 2018, 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 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. 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. And in The Year of Zayed, the company hosted a young UAE national boy, whose dream was to explore the aircraft closely and enjoyed flying the plane through the simulator.

The airline provide support to people of determination and assistance is always provided at airports and during travel, and accordingly has set aside special services to cater to their needs.

During the year, Air Arabia has made contribution in local events and sponsorships of approximately 5 Million AED.

Some projects completed in 2018 include:

| | |
|---|------------|
| Charity Cloud School | Kenya |
| Charity Cloud Maternity Clinic set up | Kenya |
| Charity Cloud Clinic in Sri Lanka | Sri Lanka |
| Distribute Motor Bikes "Rikshaw" to those in need | Bangladesh |
| Charity Cloud Clinic in Bangladesh | Bangladesh |
| Distributed gifts to orphans | India |

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.

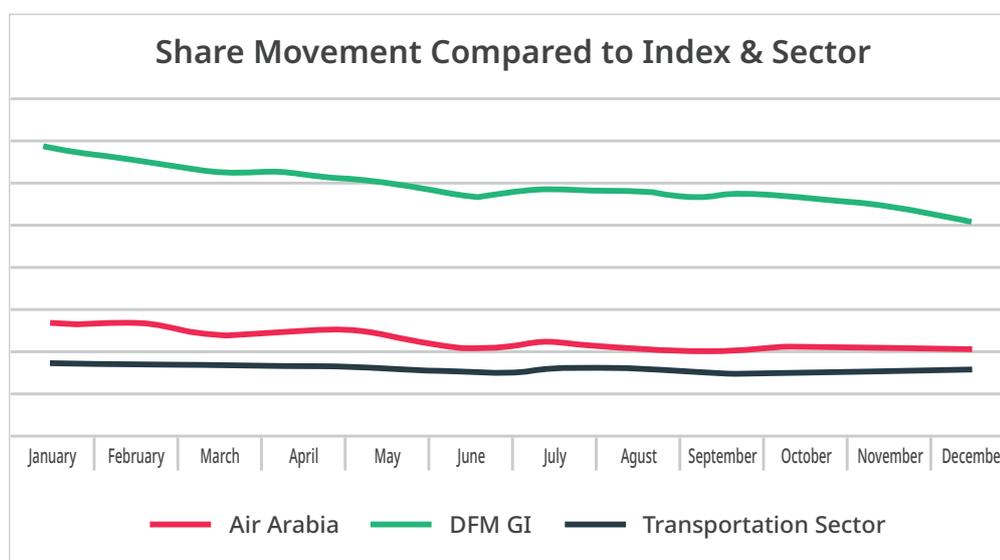
The company also follows a policy of minimizing printed paper and heavily depend on recycled in order to preserve forests. For that reason, the company signed an agreement with Thales to Aviobook Electronic Flight Bag (EFB)

11. General Information:

a) Air Arabia Share price details by month end:

| Lowest Price | Highest Price | Closing price | Month |
|--------------|---------------|---------------|----------|
| 1.23 | 1.32 | 1.3 | 2018 Jan |
| 1.26 | 1.33 | 1.31 | 2018 Feb |
| 1.12 | 1.33 | 1.14 | 2018 Mar |
| 1.15 | 1.22 | 1.22 | 2018 Apr |
| 0.14 | 1.22 | 1.16 | 2018 May |
| 0.970 | 1.15 | 0.979 | 2018 Jun |
| 0.975 | 1.08 | 1.070 | 2018 Jul |
| 1.01 | 1.08 | 1.010 | 2018 Aug |
| 0.955 | 1.03 | 0.96 | 2018 Sep |
| 0.940 | 1.03 | 1.02 | 2018 Oct |
| 1.00 | 1.06 | 1.02 | 2018 Nov |
| 0.961 | 1.02 | 1.02 | 2018 Dec |

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 | 859,276 | 0.0184 |
| | GCC | 1,211,739 | 0.0260 |
| | OTHERS | 9,027,732 | 0.1935 |
| | UAE | 156,453,773 | 3.3526 |
| Company | ARAB | 3,539,049 | 0.0758 |
| | GCC | 77,391,865 | 1.6584 |
| | OTHERS | 633,822,633 | 13.5818 |
| | UAE | 2,186,824,475 | 46.8602 |
| Government | UAE | 5,071,728 | 0.1087 |
| Individual | ARAB | 177,176,647 | 3.7966 |
| | GCC | 91,696,048 | 1.9708 |
| | OTHERS | 88,012,264 | 1.8860 |
| | UAE | 1,203,079,364 | 25.7801 |
| Sole property | GCC | 400,000 | 0.0086 |
| | OTHERS | 304,600 | 0.0065 |
| | UAE | 31,555,807 | 0.6762 |

d) Air Arabia shareholders owning 5% or above:

| Investor Name | QTY | % |
|-------------------------------|-------------|--------|
| Sharjah Asset Management | 865,904,256 | 18.55% |
| Al Maha Holding Company (FZE) | 429,613,509 | 9.21% |

d) Air Arabia shareholders owning 5% or above:

| Tranche by number of shares owned | Number of Shareholders | Total shares owned to the tranche | Percentage to the Capital |
|-----------------------------------|------------------------|-----------------------------------|---------------------------|
| Less than 50,000 | 12,196 | 163,687,414 | 3.51% |
| 50,000 to 500,000 | 2,270 | 314,013,409 | 6.73%w |
| 500K to 5M | 617 | 847,436,642 | 18.16% |
| More than 5M | 113 | 3,341,562,535 | 71.60% |
| Total | 15,196 | 4,666,700,000 | 100% |

f) Steps 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>

a) Extra Ordinary resolutions:

None.

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.

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.

- **First Quarter**

1. Air Arabia launches flights to Kabul in Afghanistan.
2. Air Arabia Egypt launches first flights to Bergamo, Italy.
3. Air Arabia Maroc launches a shuttle service between Agadir Airport and the city center.
4. Air Arabia records net profit of AED 662 million for the year 2017, up 30%.

Second quarter

1. Air Arabia Egypt begins direct flights between Sohag and Jeddah.
2. Air Arabia Egypt begins direct flights between Sohag and Kuwait.
3. Air Arabia approves distribution of 10% cash dividend to shareholders.
4. Air Arabia Wins Editors' Choice Award at 2018 Air Transport Awards.
5. Air Arabia Maroc opens a new sales shop in Marrakech to serve its customers.
6. Air Arabia Maroc continues to expand its domestic network and launches 6 new domestic routes.
7. Air Arabia launches new payment service in partnership with Cash Plus.
8. Air Arabia Maroc launches new route between Marrakech and Vienna.
9. Air Arabia reports strong first-quarter net profit of AED 110 million, up 8%.
10. RAK Bank and Air Arabia launch their first MasterCard credit card.

Third quarter

1. Air Arabia Egypt launches direct flights between Beirut and Sharm El Sheikh.
2. Air Arabia Egypt launches the first domestic flight linking Sharm El-Sheikh to Alexandria.
3. Air Arabia adds two new Airbus A320 aircraft to its fleet.
4. Air Arabia Maroc adds Birmingham to its international network from Agadir.
5. Air Arabia Maroc adds new internal route connecting Tangier and Marrakech.
6. Air Arabia Maroc strengthens its operations in Agadir and adds Basel to its international network.
7. Air Arabia launches new safety video onboard its aircraft.
8. Air Arabia signs an agreement with SAP to develop a new human resource management system based on cloud computing applications.
9. Air Arabia achieves a net profit of AED 230 million in the first half of 2018
10. Air Arabia launches flights to the Czech capital Prague.

Fourth quarter

1. Air Arabia Maroc launches new route connecting Pisa to Casablanca.
2. Air Arabia adds Sulaymaniyah to its network of destinations in Iraq.
3. Air Arabia celebrates its 15th anniversary by launching its new corporate identity.
4. Air Arabia Maroc launches new route linking Marrakech and Vienna.
5. Air Arabia Maroc announces flights to Tunisia and Lisbon.
6. Air Arabia records net profit of AED 530 million for the first nine months of 2018.
7. Air Arabia made Thales to manage the Aviobook Electronic Flight Bag (EFB) system on its fleet.
- 8. Air Arabia Maroc launches direct flights between Prague and Casablanca.

a) UAE Nationals Percentage:

1%

b) Innovations During the year:

Efficiency Program: Air Arabia initiated an internal comprehensive efficiency program to monitor costs and enhance productivity, which has directly resulted in saving operational costs during the year. The program was launched in 2017, and continued through 2018 contributing significant operational savings.

In-house built Emergency Simulator: Air Arabia cabin crew training team, in cooperation with the engineering team have developed an emergency simulator in house, to train cabin

crew on the newly ordered planes (A321). This simulator is now being assessed and certified by the relevant authorities.

HR Systems development: Air Arabia signed an agreement with SAP a well known international leader in technical application. The agreement is to develop a system called "SAP Success Factors" which should provide Air Arabia with advanced solutions and applications to manage the human capital.

Aviobook Implementation: Air Arabia selected Thales for its new Aviobook Electronic Flight Bag (EFB) system that helped the airline reduces the amount of paper required to be carried on board while bringing robust efficiency into its operations.

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 | Waleed | Arif Naqvi |
|----------------------|------------|---------------|----------------|----------|---------------|-------------|-------------------|------------|
| 1 | 16-01-2018 | Y | Y | Y | Y | Y | Y | N |
| 2 | 11-02-2018 | Y | Y (RepAdel) | Y | Y | Y | Y | Y |
| 3 | 09-05-2018 | Y | Y | Y | Y(RepAdel) | Y | Y (RepDr. Ghanem) | N |
| 4 | 09-08-2018 | Y | N | Y | Y | Y | Y | X |
| 5 | 13-11-2018 | Y | Y | Y | Y | Y | Y | X |

Appendix 2

Meetings Dates & Attendees of the Audit Committee and attendance:

"Y", "N"

| Audit Committee Meeting | Date | Waleed | Shk. Khalid | Dr. Ghanem |
|-------------------------|------------|--------|-------------|------------|
| 1 | 08-02-2018 | Y | Y | Y |
| 2 | 08-05-2018 | Y | Y | Y |
| 3 | 28-05-2018 | Y | Y | Y |
| 4 | 09-08-2018 | Y | Y | Y |
| 5 | 11-11-2018 | Y | Y | Y |

Appendix 3

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

“Y”, “N”

| Remuneration Committee Meeting | Date | Shk. Mohammed | Shk. Khalid | Waleed |
|--------------------------------|------------|---------------|-------------|--------|
| 1 | 11-02-2018 | Y | Y | Y |
| 2 | 13-11-2018 | Y | Y | Y |

