



ANNUAL
REPORT
2011

العربية للطيران
airarabia.com



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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Value at Reach



Our Vission

“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



Air Arabia Message

Dear Shareholders,

As we look back at our 2010 Annual General Meeting, it seems like only yesterday. Time travels faster than ever now-a-days, and there is no better way of highlighting this than by looking back at 2011.

Through this annual report we would like to review the carrier's yearly performance, shed some light on the airline industry in general and look at some of the challenges and opportunities ahead of us.

With all the surprises and challenges we have witnessed in 2011, it gives us great pride to say that it was another successful and rewarding year for Air Arabia.

In accordance with the vision of His Highness Dr Sheikh Sultan Bin Mohammad Al Qasimi, Member of the Supreme Council and Ruler of Sharjah, Air Arabia continued to achieve new goals in the field of modern aviation.

The Board of Directors and the Management of the airline have also succeeded in taking Air Arabia to new destinations, investing in the Group's growth and bringing solid returns on investment to you, our shareholders.

Year full of surprises and rewards

We have previously called 2010 the year 'The World started moving again'. If we want to give 2011 a title, it can only be 'The World is changing'. A year on the uprisings across the Middle East, which became known as the Arab Spring, continues - the question to ask is: where does the Arab world stand on demands for democracy? While we leave the near future to give you the answer, we look back to see its implications on the aviation industry, especially as it happened in our own part of the world. The transportation sector like any other industry slows down when there is political instability. We have seen how the aviation industry suffered in previous wars and events across the globe. It is no surprise to say that the gradual turn of events across some Arab states had its impact on the region's mobility. None-the-less, it is only reasonable to mention that the Middle Eastern carrier's traffic rose by 8.9%, against a 9.7% climb in capacity {source:IATA} which shows that air travel has become the preferred, if not the only, method

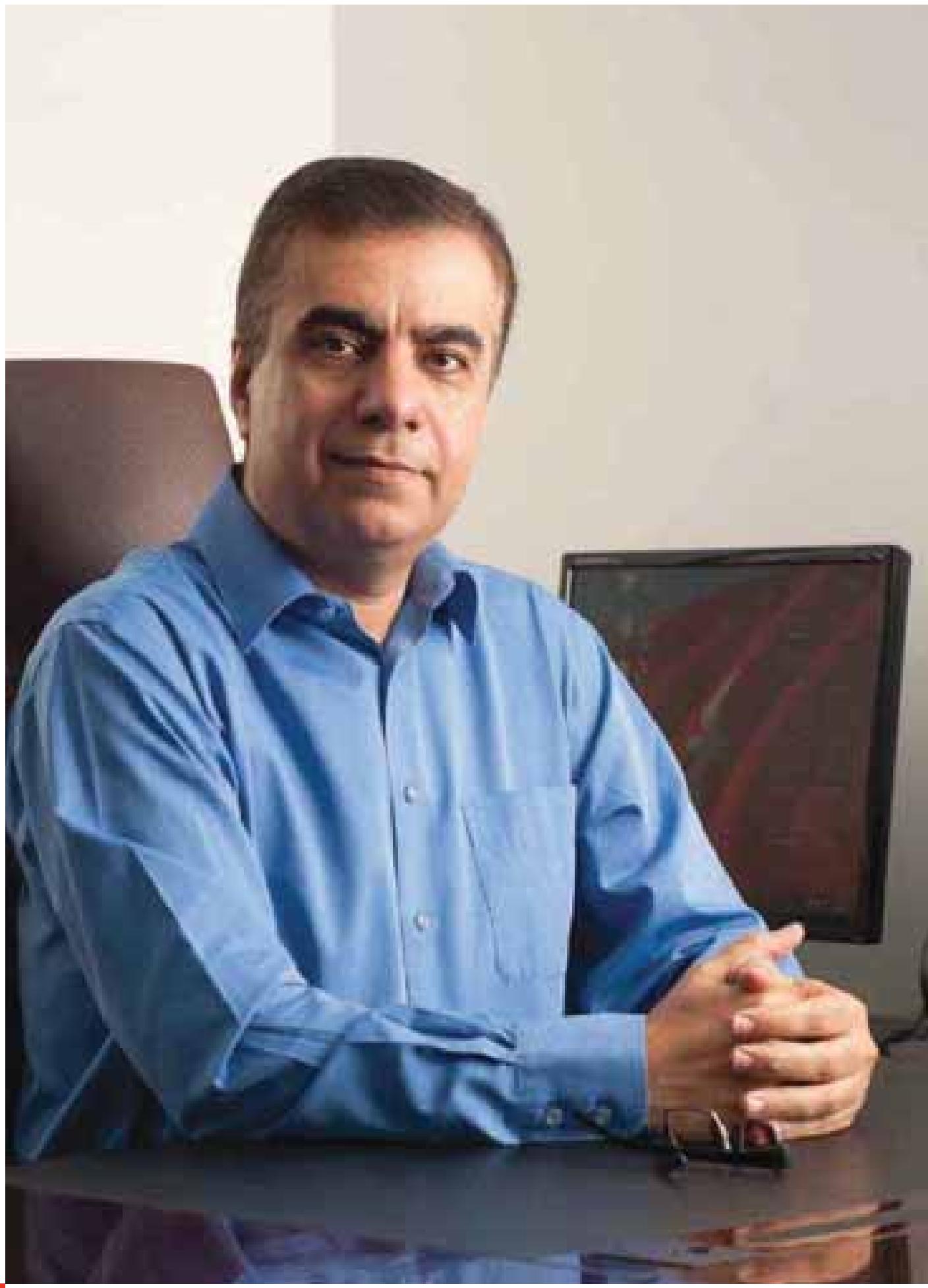
of transportation for the majority of people in the region. Air Arabia was no stranger to this increase in passenger traffic, with the airline reporting a strong 6% growth in its passenger numbers, carrying over 4.7 million customers in 2011. In addition, global growth in passenger demand for 2011 rose by 5.9%.

This sudden turn in events also put enormous pressure on the global economy as a cloud of uncertainty surrounded it, and the world's richest oil region; the Middle East was not immune from its effects.

The weakened Euro has been further impacted by the suffering economies of Greece, Italy and Portugal. The fuel as a result has seen an average year-on-year increase of 36.6% {source: BP & Arab Gulf Jet Kerosine} - a very high percentage in 'aviation dollars' to cope up with. As far as Air Arabia is concerned, we have weathered 2011 with all its surprises cautiously and consciously – dealing with the changing circumstances on daily basis, taking our operational safety as a first priority and capitalizing on growth opportunities in every possible way. We have decided that under the current circumstances we will freeze our plans to open a new hub in Jordan, a decision to be reviewed when the region's outlook is more certain. We have remained loyal to our low cost philosophy and continued to drive our operational costs lower; forged ahead with our set plan for growth as well as increasing our market share.

We have significantly increased our investment in our fleet growth and maintenance by taking delivery of six brand new Airbus A320 aircraft in 2011 as well as inaugurating our in-house maintenance facility and our own flight simulator. We strongly believe that both facilities will give great savings as the fleet expands allowing Air Arabia a competitive edge to control the quality and efficiency of its operations. In addition, we inaugurated our much anticipated hotel at Sharjah International Airport, Centro Sharjah, which has seen a promising occupancy so far. We further increased our involvement in the hospitality business by investing in a new hotel at the Dubai Marina ,The Radisson Blu. With both hotels being operational, we foresee a good return on investment in the near future.

As we have said before, the business model that Air Arabia created, the efficiency of our operations and our compelling value-for-money customer proposition will remain the key factors in our business's success.



In 2011, we have continued our organic growth from Air Arabia's operating hubs in Sharjah, Casablanca and Alexandria. Air Arabia Egypt launched a successful charter operation between the Red Sea and Europe while the airline continued to serve five cities across GCC and Levant as well as launching direct services between Alexandria and Milan in Italy. Air Arabia Maroc has also strengthened its position in Europe by introducing a set of new routes between various airports in Morocco and Europe.

At the same time, we have maintained growth from our base at Sharjah International Airport by adding six new routes and increasing frequencies to many existing ones. We are proud to say that Air Arabia can now fly you to over 70 destinations across the globe.

Solid Financial Performance

In 2011, we have also entered into new partnerships, and introduced new products and services to further bring value to our customers. Air Arabia subsidiaries have also continued to develop in 2011; profitably contributing to the bottom line of the Group. We have also introduced a new member to the family, 'Radisson Blu' hotel in Marina area, Dubai. We are proud to see that our subsidiaries and joint venture companies are following the same path of profitability as Air Arabia. During last year's Annual General Meeting, the Board proposition of 8% cash dividend was ratified.. This is a testament to our promise of continuous return to our investors. This year we have continued our legacy of being one of the world's most profitable airlines and registered a net profit of AED274 Million for 2011 while revenue increased by 16% to AED2.4 billion, demonstrating the continued profitability and the efficiency of Air Arabia's business model. Moreover, we have been repeatedly rewarded for our customer orientation; value added services and operational excellence.

Looking Ahead

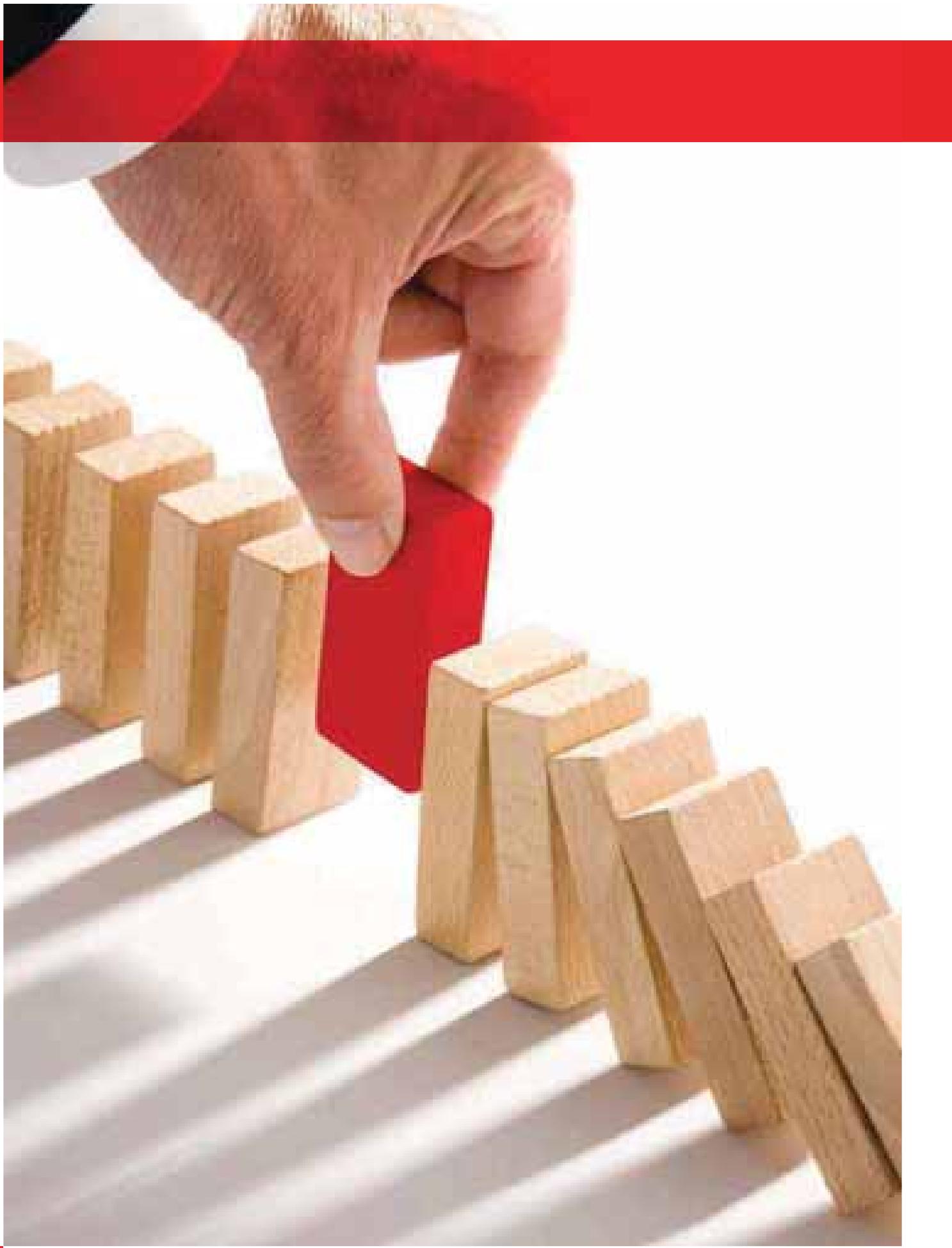
Year after year, we face many challenges and opportunities; and we work hard to benefit and learn from them. While 2012 looks ambiguous with all the events happening around us, we will remain focused on running our business in the best possible way; capitalizing on the strength of the Air Arabia brand and competing for the benefit of the customers. Air Arabia through its people will remain the leading low cost air travel provider in the region by providing customers with the most competitive fares, greatest number of destinations and highest-quality services - and we are confident that this will be reflected in the return on investment provided to our shareholders.

Finally, we would like to thank each of the millions of customers who chose to fly Air Arabia over the past 8 years. We re-enforce on our promise of making air travel more affordable by the day. To our people, we say, we have every confidence that you will rise to the promise, no matter how high the goal is set.

Yours Sincerely,

Abdulla Bin Mohammed Al Thani
Chairman

Adel Abdullah Ali
Board Member and Group CEO



Statement on Risk Management

A Risk management framework is embedded in the Air Arabia's management structure under which risks are identified, evaluated and controlled as part of an integrated-decision-making process.

All Air Arabia business units and subsidiaries are involved in identifying existing and potential risks surrounding the organization. Risks are identified from bottom-up then looked at, at a Group level to decide on measures to be taken.

Air Arabia believes that preventive measurements are the best course of action to overcome surrounding risks. Once risks are identified and prioritized, preventive and mitigation actions are taken to measure and manage risk exposures within the controlling limits.

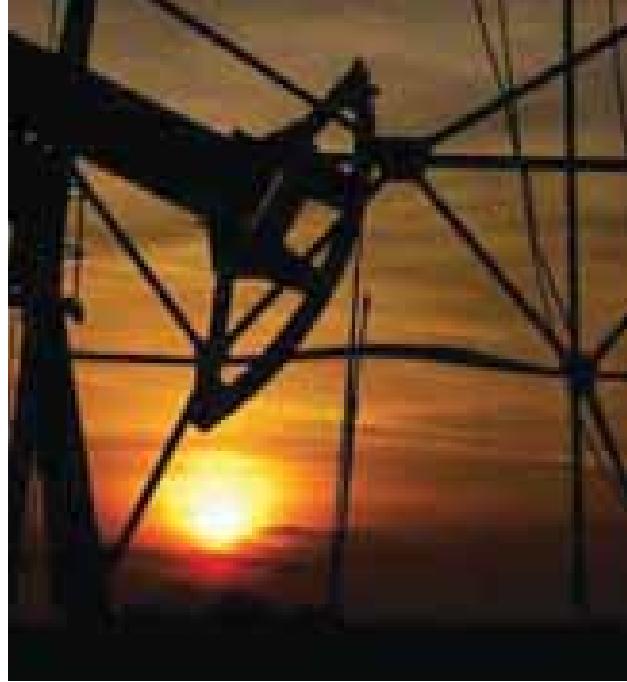
These risk management activities are taken on regular basis across the Group.

Major Events that impacted the Aviation sector in 2011

Political Instability: What became known as the 'Arab Spring' has now completed over a year of political events across some Arab states in the Middle East and Africa region causing operational and commercial risks to all operating airlines. Other Arab countries have had similar political threats but events remained under state control. Airlines operating to those countries had to follow decisions made by its Civil Aviation Authorities and at the same time manage its business taking into account the risks involved.

Air Arabia in all the above circumstances continued its operations from its operating hubs in UAE, Morocco and Egypt; while cautiously reviewing its operations without entering into any situation that may have put its passengers, staff and aircraft at risk. The airline abided to all decisions made by the Civil Aviations and on a daily basis took tactical decisions to cancel or re-schedule flights - taking safety and interest of customers and its business as priority. The carriers suspended its operations to Sanaa in Yemen and reduced operations into other cities as needed.

Fuel Prices: With all the political happenings in the region, it is no surprise to see fuel prices rise to historically high levels.



We have seen the average market fuel bill in 2011 increased by 36.6% compared to 2010. This price hike in fuel has put airlines bottom-lines across the globe at a serious risk. Fuel represents (on average) over 35% of airlines costs and as a result, every dollar increase in fuel cost has a solid impact on the overall operating costs.

Air Arabia and as regularly reported in earlier years, has a fuel hedging committee that regularly meets to review and decides on fuel buying and hedging policies. The airline hedged 17% of its fuel consumption for 2011 at a fixed price that provided the airline a stable fuel cost margin and therefore, helped managing the un-expected changes in fuel prices. Air Arabia hedging policy remains to look at the short to medium term avoiding the risks of long term hedging and variable risks associated with it.

During 2011, the Annual Risk Review was carried out for the entire Air Arabia Group and through Risk Management Committees that constantly reviews and improves measurements taken to deal with existing and potential risks.

Corporate Governance Report

1. Practices of corporate governance

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

Therefore, Air Arabia, and all its subsidiaries and group companies are committed to all laws and regulations imposed upon them as a global aviation and as a public joint stock company. This covers the Commercial Companies Law (Federal Law No. (8) Of 1984 concerning Commercial Companies and subsequent resolutions and amendments or interpretations or clarifications issued by the Securities & Commodities authority and any other official authorities later till date, covering all activities and dealings. The company is also committed to the strict application of Ministerial Decree No. (518) for the year 2009 issued by the Minister of Economy and Chairman of the Securities and Commodities Authority regarding corporate governance and corporate discipline, and any decisions that may be issued or amended in future. This cultivates confidence of those major investment bodies around the globe to occupy a position within the owners of Air Arabia.

To reflect the above, Air Arabia had issued the corporate governance manual, which besides many other details, covers the following:

- Shareholder Communication Statement
- Code of Ethic and Conduct
- Share Dealing Policy
- Whistle Blowing Policy
- Corporate Social & Environmental Responsibility
- Dividends Policy

The full manual is posted on the company's and is available for all employees to refer to at any point of time.



2. Board members tradings in Air Arabia shares:

The Board of Directors of Air Arabia and senior management are well briefed, informed and aware of the importance of the rules and procedures that govern the dealings of board members and senior managers of the company who, by virtue of their responsibilities, possess information that is not yet available to the public. In order to raise the level of transparency and disclosure and to allow equal opportunity to all shareholders when dealings in the company's shares, equal even to insiders from within the company, the company issued a statement internally which is included within the corporate governance manual, which sets the conditions and restrictions of insider trading, and the importance to disclose any inside trading in this report.

The company aspires through these actions being taken to protect the rights of all parties concerned, as well as maintaining the company's reputation and enhancing the confidence of shareholders and investors of the company.

In 2011, the board members and senior managers had no transactions in Air Arabia shares.

3. The Board of Directors:

Nomination for the membership of Air Arabia's board was opened on the 22nd of January 2011 for 30 days as per the governing rules and regulations. It was announced in different local newspapers (English and Arabic) in addition to the websites of Air Arabia and DFM. Lists of candidates and their curriculum vitae were published for the legal period of time required prior to the AGM. The AGM convened on the 21st of March 2011, a secret cumulative vote was supervised by the representative of the Securities Authority, independent auditor, vote collector and the corporate secretary. The board of directors was elected for a period of three years and composes of:

Sheikh Abdullah Bin Mohammed Al Thani	Chairman of the Board
Adel Abdullah Ali	Executive member
Aref Naqvi	Non-Executive member
Dr. Ghanem Mohammed Al Hajri	Independent member
Taryam Mattar Taryam	Independent member
Abdulwahab Al Romi	Independent member
Sheikh Mohammed Al Thani	Independent member



Summary Biographies of the Members



Sheikh Abdullah Bin Mohammad Al Thani

Air Arabia Chairman since 2003, & Sharjah Civil Aviation Chairman

His Excellency Sheikh Abdullah Bin Mohammed Al Thani holds several prominent positions in UAE. He is member of the Executive Council of Sharjah and the Chairman of Sharjah Civil Aviation.

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.



Adel Abdullah Ali

Group Chief Executive Officer & Air Arabia Board Member since 2003

Mr. Adel Ali is awarded as best low-cost carrier CEO for the years 2007, 2008, 2009 & 2010 in recognition of his efforts in founding the first low-cost carrier in the Middle East and North Africa. He is also selected as the business leader of the year in 2011.

Ali has more than 28 years in aviation & strategic planning, His deep knowledge in tourism and commercial operations are well reflected in Air Arabia's performance since 2003.

Prior to Air Arabia, Mr. Ali served in various aviation positions; he served as vice president of the commercial & customer services in Gulf Air where he played a key role in restructuring the company. He also served for more than 20 years in different management positions with British Airways last of which was General Manager of the Middle east and Africa.



Arif Naqvi

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

Mr. Arif Naqvi is the founder, Vice Chairman & Chief Executive Officer of Abraaj Capital, one of the Leading institutions in private equity management in Middle East, North Africa and South Asia, beside that he is a board member in many companies and social institutions. Mr. Naqvi has been selected as one of the "50 most influential in Private Equity" in the world.

He has been honored with the highest and most prestigious Medal by the President of the Islamic Republic of Pakistan in 2006.



Dr. Ghanem Al Hajiri

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

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

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



Taryam Matar Taryam

Air Arabia Board Member since 2003

Mr. Taryam has a long & wide experience in the private business sector; he has served for over 15 years in the region's leading telecommunications company (Etisalat) in numerous Management positions, concluding it in the post of Director General of the telecommunications sector.

He then served for over 10 years as Director General of Sharjah Airport International Free zone. Mr. Taryam is a board member of Air Arabia & Sharjah International Airport.



Abdulwahab Mohammed Al Roomi

Air Arabia Board Member since 2003 & Director General of Sharjah Civil Aviation

Engineer Abdulwahab Mohammed Al Roomi assumed different managerial positions with the finest oil companies in UAE. H.E. then moved to serve for several years as Director of Sharjah Civil Aviation, before taking over as Director General of Sharjah Civil Aviation. Engineer Abdulwahab holds a degree in Chemical and Petroleum Engineering from Al Ain University.

Besides being member of Air Arabia's board of directors, H.E. is also a board member of Sharjah Commerce & Tourism Development Authority, Sharjah Airport International Free Zone and the board of directors of Sharjah International Airport.



Sheikh Mohammed Bin Abdullah Al Thani

Air Arabia Board Member since March 2011, Director General - 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.

Membership in other Companies:

- In addition to the chairmanship of Air Arabia board of directors, Sheikh Abdullah Al Thani is a member of Al Buhairah Insurance Company's board of directors.
- Mr. Aref Naqvi Air Arabia (non- executive member) is a board member in Aramex PJSC.
- The remaining members do not have any other memberships in public companies.

Air Arabia board meetings in 2011 and attendees is available in Appendix 1

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. In 2011 there were no inter-related transactions with parties that pertain to board members or senior management.

4.External Accounts Auditor:

About Deloitte:

Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is the first Arab professional services firm established in the Middle East region with uninterrupted presence for over 85 years. Deloitte is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with over 2,500 partners, directors and staff. It is a Tier 1 Tax advisor in the GCC region (International Tax Review) and was recognized as the 2010 Best Consulting Firm of the Year in the Complinet GCC Compliance Awards.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 182,000 professionals are committed to becoming the standard of excellence.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

On its 21/2/2011 meeting, the Board had recommended to re-assign Deloitte as independent audits and had recommended fees of AED 410000/. The Annual General Meeting held in 2011 approved that recommendation.

Deloitte was not requested for furthermore services. On the other hand PKF is assisting as an independent authority to assess goodwill and intangible assets.



5.Audit Committee:

This committee was formed in accordance with the rules and regulations governing corporate governance and is composed of three members:

Sheikh Mohammad Al Thani	Chairman
Mr. Abdulwahab Mohammed Al Roomi	Member
Mr. Taryam Matar Taryam	Member

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

The general duties of the committee are as follows:

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

The corporate governance manual dictates the detailed duties and responsibilities of the committee. Furthermore, appendix 2 contains the committees meetings and attendance in 2011.

- E) Articulate a policy governing board members remuneration, staff bonuses, benefits, incentives and salaries; this is to be reviewed on an annual basis. The committee shall ensure that the rewards and benefits granted to the executive management of the company's senior directors are reasonable and are directly proportional to the company's performance.

- F) Organizing, implementing and following up the procedures for board nominations and elections, in accordance with the laws, and regulations.

The corporate governance manual contains details of the functions, duties and responsibilities of the committee. Appendix No. 3 contains a schedule of meetings with dates and attendance in 2011.



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:

Dr. Ghanem Mohammed Al Hajri	Chairman
Mr. Abdulwahab Mohammed Al Roomi	Member
Mr. Arif Naqvi	Member

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

- A) Ensure that independent directors continue to be independent for the duration of their terms of office.
- B) Review and approve salaries and bonuses, allowances and salary policies and review these policies annually in view of market and economic conditions.
- C) Identify the company's needs of senior executive management, and other members of the management team and defining the criteria of selection.
- D) To annually review the human resources policies, and adopt the human resource policies and training, and ensure proper implementation.

7. The internal control system

The internal control system is an integrated system that imposes procedures, conditions and administrative laws, and monitors their practical implementation throughout the company's operations.

This system is not a hindrance and an obstacle to the effectiveness of the work and speed of delivery and performance, but on the contrary, it ensures the company's development of effective performance and the effectiveness of risk management and internal control system.

The system measures the compliance with policies and procedures, protection of property, economic and effective use of resources.

The Board has acknowledged its responsibility for internal control system in the company and the periodic review effectiveness.

Air Arabia's Commitment & Contribution Towards the Society & Environment:

Air Arabia places the community very high on its priority and importance list. The company strongly believes that working with the surrounding community and investing back in to it, is one of the most important pillars it relies on towards its success.

From this standpoint, the company established the "Charity Cloud" initiative, which considers such community investments, and this project has produced to date fully equipped medical clinic in Sudan, two schools in Sri Lanka, a school in Nepal, a school in India, a medical clinic in Yemen, vaccination campaign for children in Sudan, a campaign in Yemen for the treatment of children with weak hearts, and another campaign in Sri Lanka for the treatment of blind children.

On the other hand, Air Arabia participates continuously and effectively in the community by sponsoring activities and local events such as festivals, programs, and others.

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.



General Information

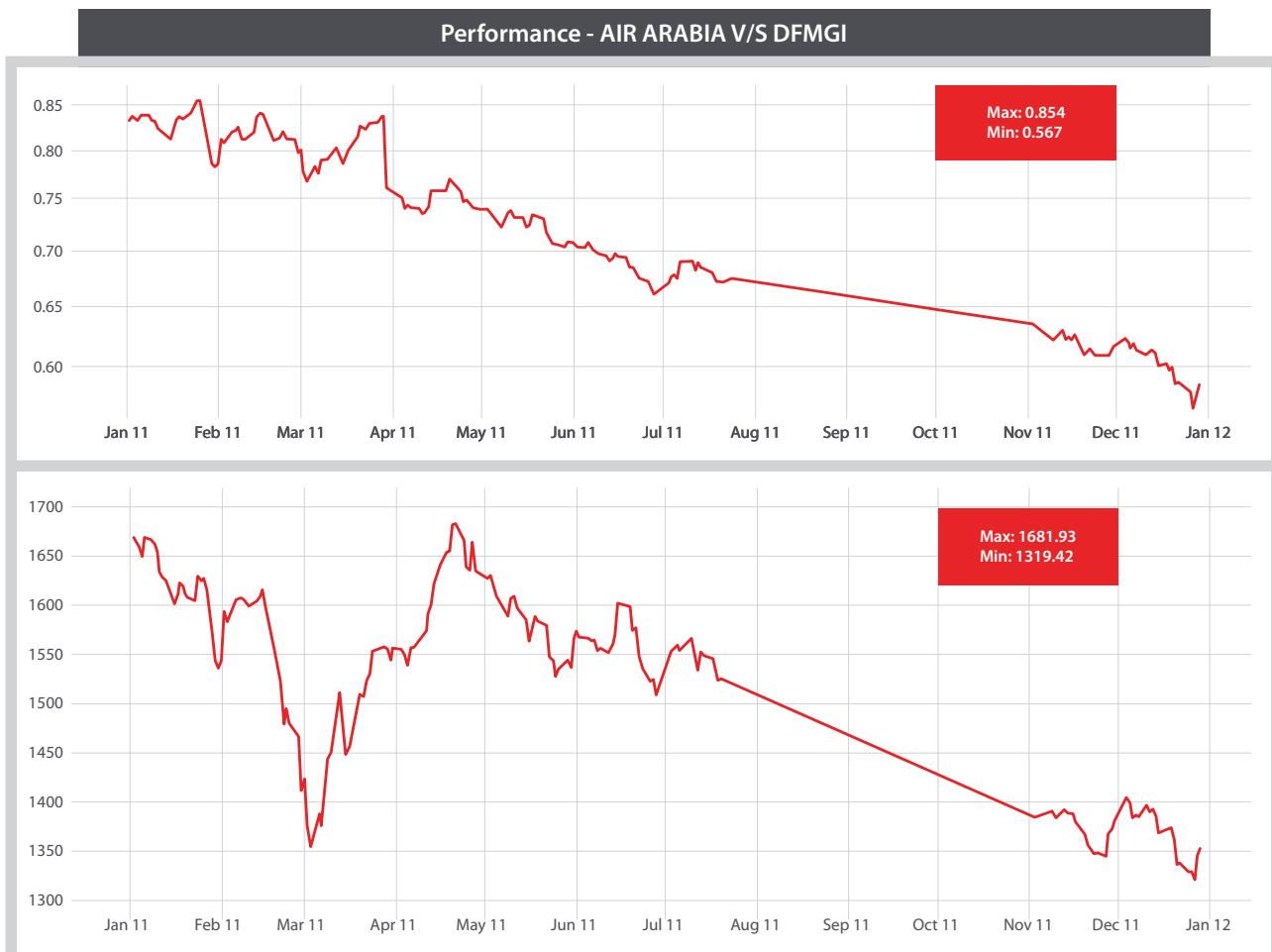
a) Statement of Air Arabia Stock Movement (Source: DFM):

- Highest Price in 2011: 0.86 in the 25th of January 2011
- Lowest Price in 2011: 0.565 in the 28th of December 2011
- Highest Price since Listing: 2.22 in the 15th of January 2008
- Lowest Price since Listing: 0.565 in the 28th of December 2011

b) Monthly Statement of Air Arabia Stock Movement (Source: DFM):

Month	Lowest Price	Highest Price
Jan 2011	0.754	0.86
Feb 2011	0.781	0.846
Mar 2011	0.756	0.842
Apr 2011	0.73	0.774
May 2011	0.7	0.745
Jun 2011	0.66	0.716
Jul 2011	0.666	0.693
Nov 2011	0.6	0.637
Dec 2011	0.565	0.626

c) Air Arabia Stock Movement Statement Compared to the general market guide (Source: DFM):



d) Distribution ownership Statement of Air Arabia Stocks(as in 31of Dec. 2011, Source: DFM):

1. National: 69%
2. GCC: 4.46%
3. Arabs: 5.77%
4. Foreigners: 20.67%

e) Shareholders Lists who holds more than 5% of Air Arabia capital:

- Department of Civil Aviation 17.4%
- Al Maha Holding Company 8.7%
- IGCF SPV 4 Limited 6.43%

Sheikh Mohammed Al Thani

Chairman of the Board

• Appendix 1

Meetings Dates & Attendees of Air Arabia Board Of Directors in 2011:

"Y", "N"

Meeting no.	Date	Sheikh Abdullah	Dr. Ghanem	Adel Ali	Moustafa Abul Wadood	Abdulwahab Al Romi	Teryam Mattar	Arif Naqvi
1	19.1.2011	Y	Y	Y	N	Y	Y	Y
2	21.2.2011	Y	Y	Y	Y	Y	Y	Y

Meeting no.	Date	Sheikh Abdullah	Dr. Ghanem	Adel Ali	Sheikh Mohammed	Abdulwahab Al Romi	Teryam Mattar	Arif Naqvi
3	4.5.2011	Y	N	Y	Y	Y	Y	Y
4	3.8.2011	Y	Y	Y	Y	Y	Y	Y
5	1.11.2011	Y	N	Y	Y	Y	Y	N
6	30.11.2011	Y	Y	Y	Y	Y	Y	N

• Appendix 2

Meetings Dates & Attendees of the Audit Committee and attendance:

"Y", "N"

Meeting no. of Audit Committee	Date	Sheikh Mohammed	Abdulwahab	Teryam
1	16.5.2011	Y	Y	Y
2	30.11.2011	Y	Y	Y
3	6.12.2011	Y	Y	Y
4	7.12.2011	Y	Y	Y

• Appendix3

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

"Y", "N"

Meeting no. of Committee on Nominations and Remuneration	Date	Dr. Ghanem	Abdul Wahab	Aref
1	12.9.2011	Y	Y	N
2	20.12.2011	Y	Y	Y

Board of Director Report

Despite the tremendous challenges that 2011 has witnessed, Air Arabia's Board of Directors is pleased to report to its shareholders that the company achieved a net profit of AED 274 Million in the year.

During this time Air Arabia generated a total revenue of AED 2.4 Billion which was a growth of 16% year-on-year. Gross profit stood at AED 330 Million, a rise of 6% on 2010.

In several critical metrics, the company experienced excellent growth, based on a solid business model. Air Arabia carried a total of 4.7 million passengers in the year, an increase of 6% over 2010, achieving an average load factor of 82% year to date.

The year 2011 saw ongoing political unrest in the region; global fuel prices also surged, nevertheless, Air Arabia managed to end the year with positive results and excellent achievements.

The board of directors is proud to have achieved this performance, under challenging circumstances, and looks forward to continue this trend in 2012.

On behalf of the Board of Directors:

Abdullah Bin Mohammed Al Thani
Chairman



What Makes our Part of the World Different?



Politics seems to be the common component of every suffering economy; for all the good or bad reasons. We have seen the implication of political crisis upon the aviation business in the past. From World War I until today - aviation, by all means, played an important role in times of war and peace.

Commercial aviation continues to make the world connect better. Billions of people now-a-days fly as often as ever and therefore, making the world a smaller place and making time, a much more valuable commodity.

Airlines over the past decades seem to have evolved to become the economy's biggest contributor. Feeding billions of dollars to countries GDP's every

year, contributing essentially to tourism sectors and creating jobs all over the world – it is of no surprise for the makers of this industry to handle world's politics and ever changing events, just like they handle ordinary challenges.

2011 was an interesting year if we take our part of the world into review. A spring we could have never anticipated has followed a very calm winter. One event in Tunisia started a chain of street events that changed regimes that have been in power for decades.

With all what this change carry of political meanings - economies and industries found it selves dealing with a situation that soon became a sudden reality.



Aviation in particular, had to manage an ambiguous year, both operationally and commercially. Airlines, including Air Arabia, had to cancel and reschedule flights on daily basis. Few of the regional airlines had to completely stop its flights to affected countries. The way Arab carriers dealt with the events surrounding its states has been globally recognized to be extremely efficient and dynamic. Millions of customers around the world were able to still fly to their home countries or fly their families and relatives out when needed.

Commercially, airlines were faced by another everlasting threat, fuel price. It's a natural occurrence that fuel price hikes when there is a political instability. Add to it the European debt and suffering economies of Greece,

Portugal and Italy. The average fuel bill in 2011 went up by 36.6% compared to 2010, putting many airlines across the globe under serious financial burden.

From Tiger Airways in Australia or American Airlines in the United States to Wataniya and Sama in Kuwait and Saudi respectively, over ten airlines filed for bankruptcy in 2011.

Even though the year 2012 looks to be far from political clarity, it is a blessing that despite all what is happening in this part of the world - air travel continue to grow; people travel more often; airlines investing in more airplanes and also; carriers such as Air Arabia, achieving strong profits and guaranteeing good returns to its investors.

The Year in Review



JANAUARY

- Air Arabia introduces the first of its kind summit the inaugural 'Arab Aviation & Media Summit'. Organised by Air Arabia in association with CNBC Arabia TV - the summit takes lead on creating a constructive dialogue between today's business leaders and the region's media community by providing a platform for insightful discussion on the current trends and challenges faced by the aviation sector.
- Air Arabia Maroc starts flights between Montpellier, France and five cities across Morocco

FEBRUARY

- Air Arabia takes delivery of two new aircraft - the third and fourth of 44 A320 aircraft it has ordered from Airbus.
- Air Arabia reports 2010 net profit of AED 309.559 million from a total turnover of AED 2.08 billion and declares it has carried 4.45 million passengers.
- Air Arabia expands its service to the Qatari capital, Doha, from its primary hub in Sharjah, UAE with twice-daily flights.

MARCH

- Air Arabia increases flights to Nairobi, Kenya to daily from the carriers main hub in Sharjah, UAE
- Following the conclusion of its fourth Annual General Meeting (AGM), the Board of Director of Air Arabia approves the distribution of a cash dividend of 8% of the company's share capital.
- Air Arabia increases flights to Kiev in Ukraine to daily from the carriers main hub in Sharjah, UAE

APRIL

- Air Arabia selects Sharklets for 28 out of 44 A320s aircraft ordered by the airline. These new wingtip devices will further enhance the efficiency of Air Arabia fleet by reducing fuel burn particularly over longer sectors
- Air Arabia inaugurates its regular shuttle service 'Air Arabia Express' between the centre of Dubai and Sharjah International Airport

MAY

- Air Arabia's net profit for the three months ending March 31, 2011 stood at AED 44.2 million, from a turnover of AED 513 million
- Air Arabia increases flights to Istanbul, Turkey to daily from the carriers main hub in Sharjah, UAE
- Air Arabia Maroc celebrates second anniversary
- Air Arabia Maroc signs agreement with Amadeus TLA as a new sales channel

JUNE

- Air Arabia signs a memorandum of understanding (MoU) with the UAE's Telecommunications Regulatory Authority (TRA) to enhance its online security.
- Air Arabia wins the A320 Family Operational Excellence Award by Airbus for the year 2009-2010. Award received for achieving the highest level of A320 family aircraft utilisation in the world for a fleet of less than 30 aircraft, with 99.8 per cent operational reliability.
- Air Arabia Maroc launches flights between the City of Tangier in Morocco and Barcelona, Spain
- Air Arabia Egypt launches flights to the Saudi Cities of Riyadh & Dammam from the carriers hub in Alexandria, Egypt

JULY

- Air Arabia introduces 4 weekly flights to the Saudi City of Gassim from the carriers main hub in Sharjah, UAE
- Air Arabia welcomes on-board its 20 millionth passenger since inception, demonstrating the enormous appeal of the first and largest low-cost carrier (LCC) in the Middle East and North Africa.
- Air Arabia Maroc launches flights between Torino-Cuneo in Italy and its base in Casablanca, Morocco

AUGUST

- Air Arabia's net profit for the three months ending June 30, 2011, rose to AED 51 million.
- Air Arabia partners with Al Ansari Exchange for customers to pay for their tickets through any of the over 100 Al Ansari Exchange branches across the UAE.
- Air Arabia wins the top award in the category of 'Innovation in Operations - Low-Cost Carrier Airline' at the Express TravelWorld Awards 2010-2011 held in New Delhi.

SEPTEMBER

- Air Arabia completes Ukraine hattrick - expanding its presence to three major cities in that country, including Kiev, Kharkiv and Donetsk
- Air Arabia selects SITA Horizon passenger management system including departure control services and self-service check-in, to provide a seamless transit service at Air Arabia's 70 departure points across 32 countries

OCTOBER

- Air Arabia receives its fourth aircraft of 2011, bringing its global operating fleet to 29 aircraft
- His Highness Dr. Sheikh Sultan bin Mohammed Al

Qassimi, Member of the UAE Supreme Council and Ruler of Sharjah inaugurates Air Arabia's Aircraft Hangar, Flight simulator and Centro Sharjah Hotel

- Air Arabia takes off to Russia with the introduction of flights to the Cities of Moscow, Yekaterinburg
- Air Arabia celebrates eighth anniversary demonstrating its true corporate success story eight years after introducing low cost travel to the region
- Air Arabia Maroc connects the Moroccan City of Nador with different cities across Europe

NOVEMBER

- Air Arabia's net profit for the three months ending September 30, 2011, stood at AED 100 million - in line with analyst forecasts
- Air Arabia and Sharjah Commerce & Tourism Development Authority marks the start of service to Russia with a high-profile event held in the Russian capital city, Moscow

DECEMBER

- Adel Ali, Group Chief Executive Officer of Air Arabia, is named "Business Leader of the Year" at the inaugural Middle East Accountancy & Finance Excellence Awards.
- Air Arabia receives the aircraft number 500 that Airbus has delivered in 2011. The new aircraft was also Air Arabia's sixth aircraft of 2011.
- Air Arabia is presented with the prestigious award for best low cost carrier – International at the Travel Agents Association of India Diamond Jubilee Celebration and TAAI Travel Award 2011 held in Mumbai, India.
- Air Arabia Egypt launches flights to the Italian City of Milan from the carriers hub in Alexandria, Egypt





H.H. Ruler of Sharjah Marks Air Arabia's Eighth Anniversary with a Royal Visit

His Highness Dr. Sheikh Sultan bin Mohammed Al Qassimi, Member of the UAE Supreme Council and Ruler of Sharjah, accompanied by a high profile delegation toured a range of key aviation infrastructure projects in the emirate of Sharjah on October 27, 2011, highlighting the importance of Air Arabia and Sharjah International Airport to the emirate travel and trade development.

This historic visit has marked a new chapter in Air Arabia's success book whereby this high-level delegation visit coincided with the eighth anniversary of the launch of Air Arabia whose first flight took off from Sharjah International Airport in October 2003.

His Highness Ruler of Sharjah inaugurated a range of projects, including a new, state-of-the-art Air Arabia hangar that has been designed to meet all the maintenance, repair and overhaul requirements of the entire Air Arabia fleet, and Air Arabia's US\$10 million flight simulator, which is used to provide world-class flight training for up to 400 pilots per year as well as inaugurated Air Arabia's "Centro Sharjah Hotel", which is located adjacent to Sharjah International Airport and just 15 minutes from the city centre.

His Highness Ruler of Sharjah visit reflected the importance of those projects to Sharjah's long-term economic growth and diversification as well as marked another milestone in the growth of Air Arabia.



Taking Lead

With all the changes and challenges the region is facing; few are the initiatives that shed light on corrective measures and missed opportunities that go by. Air Arabia decided to take industry lead and introduce a new initiative that addresses today's economy and challenges impacting the face of the aviation industry in the MENA region. To that front, the carrier partnered with CNBC Arabiya TV and launched the first of its kind 'Arab Aviation and Media Summit 2011'. This one day summit created a constructive dialogue between today's business leaders and the region's media community by providing a platform for insightful discussion on the current trends and challenges faced by the aviation sector in the (MENA) region.

The Summit also featured aviation, economic and academic speakers openly debating the Middle East aviation sector and the current economic landscape. Followed by interactive sessions, speakers discussed trends, challenges and opportunities in aviation with the participating media. The Summit also discussed the lessons to be learned from the global financial slowdown, the aviation sector's contribution to regional economies, the challenges that hold back growth, views on privatisation, potential for industry consolidation in 2011, and other related concerns.



Following the conclusion of the Summit, the organizers issued a white paper summarizing the outcome of the summit and 'call to action' measurement to face the multitude of challenges facing the industry such as oil prices; the lack of unified open-skies policies; the current trend of opening up to competition and incentivising private-sector participation in the industry; Arab Airports expansion and pressure from more planes and passengers; as well as foreign investment and deregulation laws.

The white paper, which has been shared with public and private sectors, called upon Governments & Private Sector's to work together and learn from experiences of other parts of the world. The paper also considered opening up the industry to increased private investment as a step in the right direction. Great opportunities exist, the only difficulty, according to participants in the Arab Aviation and Media Summit is finding the impetus to make it happen.



Corporate Social Responsibility

Charity Cloud Project

Air Arabia is not only committed to providing affordable air travel but is also dedicated to uplifting the lives of the less fortunate. Taking responsibility and lead on social needs of local and international communities has been part of Air Arabia's success. To this end, the carrier has implemented a corporate social responsibility (CSR) program with an emphasis on providing better education and healthcare for underprivileged communities.

Air Arabia became one of the first companies from the region to introduce a sustainable CSR program when it launched the "Charity Cloud" project in collaboration with Sharjah Charity International in 2005. The program is aimed at raising funds for community development initiatives through on-board passenger donations. The fund collections are reviewed annually and invested in health and education projects in impoverished nations through a planned CSR initiatives.

In 2011, Charity Cloud launched a remote medical clinic in Sri Lanka offering medical assistance across the country as well as complementing the existing Charity Cloud School in the area of Warkapola. In keeping with its belief, which is to empower common man, the initiative took it upon itself in 2011 to not only donate 20 sewing machines in India and medical equipments in Bangladesh. In the months of September, October and November, it pledged all Charity Cloud donations to those affected by Famine in war-torn Somalia.

2011 also saw the completion of its clinic in Yemen and the start of its operations. It then donated medical equipment to this clinic, ensuring better health facilities to those in need. Charity Cloud also aims at bringing joy to people around the world and last year took to adding a special sparkle to the Eid celebrations held in Kenya by distributing Eid presents to those who could ill afford them.



Charity Cloud stands today as a socially responsible initiative with education and medical care projects spread across Sudan, Sri Lanka, India, Yemen, Egypt, Nepal, Turkey and many other countries. The program runs various adhoc charity projects across Air Arabia network such as Eid initiatives and aid campaigns.



Unique partnership with Sharjah Humanitarian City

In line with its commitment towards serving its local community, Air Arabia has signed a Memorandum of Understanding with Sharjah City for Humanitarian Services (SCHS) in November 2010. Under the terms of the agreement, the airline provides support to those with physical and mental disabilities. This will include financial aid, wheelchair services at airports, specific seat allocations for disabled passengers, and special printing for the visually impaired and sign language.

The year 2011 saw Air Arabia employees launch 'A Dirham A Day' aid campaign during the holly month of Ramadan, whereby all funds collected have been donated to SCHS to join efforts in supporting its financial needs.

Through its flexible and comprehensive plans and its unyielding strategy, SCHS aims at providing education, care, training and rehabilitation to children and adults with disabilities, regardless of the level of disability yet within the limits that are allowed. It also aims at providing job opportunities for people with special needs. Considering the fact that their family is the ideal environment for them, SCHS provides families with guidance and counseling.

Awards

The year 2011 saw Air Arabia receiving notable industry accolades that once again show-case the airline's leadership over the low cost business across the MENA region. In June 2011, Air Arabia continued to be recognised for the excellence of its operations, winning the Airbus Operational Excellence award for the 5th consecutive year for achieving the highest level of A320 family aircraft utilisation in the world for a fleet of less than 30 aircraft, with 99.8 per cent operational reliability. Air Arabia received the prestigious award in Toronto, Canada, during Airbus's biannual symposium of all operators of the A320 Family worldwide.

In August, Air Arabia received the 'Innovation in Operations' Award by Express TravelWorld Awards held in New Delhi, India. The awards are widely regarded as India's most respected B2B travel industry awards and were open to all organisations with registered offices in India that have been operational for two years or more. Nominations were assessed by an independent jury, with Ernst & Young as the official process advisors.

In December 2011, The Group Chief Executive Officer of Air Arabia, Adel Ali has been also named "Business Leader of the Year" at the inaugural Middle East Accountancy and Finance Excellence Awards. Organised by ICAEW, a professional membership organisation supporting over 136,000 chartered accountants around the world, the Awards celebrate the very best of the accountancy and finance profession in the Middle East. Ali received the award in recognition of establishing Air Arabia as the region's number one low-cost airline.



Air Arabia was also presented with the prestigious award for 'Best low cost carrier – International' in India at the Travel Agents Association of India Diamond Jubilee Celebration and TAAI Travel Award 2011 held at Taj Land's End, Mumbai. The award was handed over by Mr Subhodkant Sahay, Union Minister of Tourism and Mr Iqbal Mulla, President of TAAI in the presence of over 800 Travel agents.

June, 2011	Airbus Operational Excellence award
August, 2011	Innovation in Operations' Award
December, 2011	'Business Leader of the Year' Award for Adel Ali
December, 2011	'Best low cost carrier - International' in India

Air Arabia Today

Air Arabia (PJSC), listed on the Dubai Financial Market and traded under ticker symbol: (DFM:AIRARABIA) is now a listed company worth over AED 3 billion.

Started with a modest capital back in October 2003 as the regions first low cost carrier, Air Arabia today consists of a group of airlines and companies offering travel and tourism services across the globe. Air Arabia currently holds a portfolio of successful businesses and projects.

Air Arabia operates from three hubs in Sharjah International Airport, UAE; Mohamed V International Airport in Morocco and Burj Al Arab International Airport in Alexandria, Egypt.

Air Arabia (UAE)

Air Arabia took off the skies in October 2003 as the Middle East and North Africa's first low cost carrier (LCC). Since establishment, Air Arabia revolutionalized the way aviation was perceived in the Middle East and North Africa by introducing a successful low cost business model that accommodates local preferences of the region. The airline was able to re-define the concept of air travel in this part of the world through offering superb value for money travel along with a comfort and reliable operations.

Air Arabia main achievements was making air travel more convenient through Internet bookings and offering the lowest fares in the market along with the highest levels of quality and service standards. With its value proposition "Pay Less. Fly More." Air Arabia's business model has cleared the way for a greater number of business and leisure customers to travel more often, to more places.

Air Arabia (Maroc)

In November 2007, Air Arabia announced the establishment of its second hub in Casablanca, Morocco. Preparatory work on the establishment of the new hub was on full stream through 2008 and operations of the new airline took off in May 2009.

Air Arabia's second hub in Casablanca is providing the airline with a platform from which to reach the wider European market.

Air Arabia (Egypt)

In September 2009, Air Arabia announced the signing of a joint venture agreement to launch a new low cost carrier based in Egypt.

The new carrier took off the skies in June 1, 2010 in the aim to serve Europe, Middle East and Africa (EMEA) markets representing Air Arabia third hub after UAE and Morocco. Building upon Air Arabia's existing services across Europe, the Middle East, Africa and Asia, the new airline, from its base in Alexandria will contribute to

the on-going development of the Egyptian travel and tourism sector as well as offer a larger base of customer best value for money air travel.

Centro Sharjah Hotel

In October 2011, HH Ruler of Sharjah inaugurated Air Arabia's 306-room budget hotel 'Centro Sharjah'. Already operational, the hotel has received an encouraging number of guests by far, either transiting via Sharjah Airport or those looking for a value-for-money option with close proximity to both Sharjah and Dubai.

This new project does complement the low cost air travel services Air Arabia offers to its customers. The property, which includes both standard rooms and suites, also offers comfort and convenience for travellers passing through one of the region's fastest-growing airports as well as for visitors to the emirate.



Radisson Blu, Dubai Marina

Situated in an up-market neighborhood near to the beachfront and on the marina, Radisson Blu Residence, Dubai Marina is located in the heart of all action. Offering fully-serviced stylish Italian designed apartments, the residence is just minutes away from Marina Walk, Marina Mall, Metro Station, JBR Walk and the Beach.

Radisson Blu Residence, Dubai Marina offers 152 luxury apartments comprising of studios, one bedroom and two bedroom categories. All apartments feature a fully equipped kitchen, balcony, covered parking and fabulous views of Dubai Marina

Air Arabia Studio Apartments

Providing our staff with class A accommodation is something we always kept in our plans. In 2008, we broke ground on constructing a studio apartments project to offer our increasing number of employee's appropriate accommodation.

The project was completed in first quarter of 2010 and currently offers Air Arabia staff a total of 152 apartments.

Information System Associates (ISA)

ISA Aviation or Information System Associates is a joint venture between Air Arabia and John Keells Holdings (JKH), Sri Lanka's largest conglomerate. The company was established in September 2003 and provides leading IT solutions in the aviation Industry.

ISA unique creation was the state of the art reservation system 'AccelAero' that is now used by many low cost airlines across the world. The company's impressive performance allowed it to develop other innovative products such as AccelAero.RM, AccelAero.HM BRS and Cesar.

Sharjah Aviation Services (SAS)

SAS or Sharjah Aviation Services a joint venture between Air Arabia and the Sharjah Department of Civil Aviation. The company was launched in January 2007, in order to support the ongoing expansion of Sharjah Airport and became profitable after first year of operations. Sharjah Aviation Services deliver a comprehensive range of passenger, ramp and cargo handling services for airline operators and their customers at the airport.

Alpha Flight Services

Alpha Flight Services is a joint venture company between Air Arabia and UK based Alpha Catering Group. The company was established in May 2007 to support and enhance the quality of on board catering needs. Alpha Catering Sharjah is now a profitable company that contributes to Air Arabia group profits.



Alpha Flight Academy

Another joint venture was accomplished in November 2007 with Alpha Aviation Group, a specialist global aviation training provider to launch a new multi-million dollar International Aviation Training Academy based in Sharjah. This agreement is helping Air Arabia meet its own internal needs for pilots to man its expanding aviation fleet.



Cozmo Travel

Cozmo Travel, a UAE-based travel agency providing a wide range of innovative individual and corporate travel solutions.

Cozmo Travel, a one-stop solutions provider, offers a comprehensive range of travel options, including VIP services such as access to its VIP service lounges, valet parking and other exclusive benefits. The company also provides flight bookings, car rental, ocean cruises, corporate solutions and visa processing services for UAE Nationals and residents.



Air Arabia Maintenance Hangar

Inaugurated in October 2011 by HH Ruler of Sharjah, this state-of-the-art aircraft Hangar is located at Sharjah International Airport and has been designed to meet all the maintenance, repair and overhaul requirements of the entire Air Arabia fleet, while also servicing other airlines and aircraft travelling through Sharjah International Airport. Currently staffed by 165 skilled professionals, the Air Arabia hangar is anticipated to employ 500 staff by 2017.

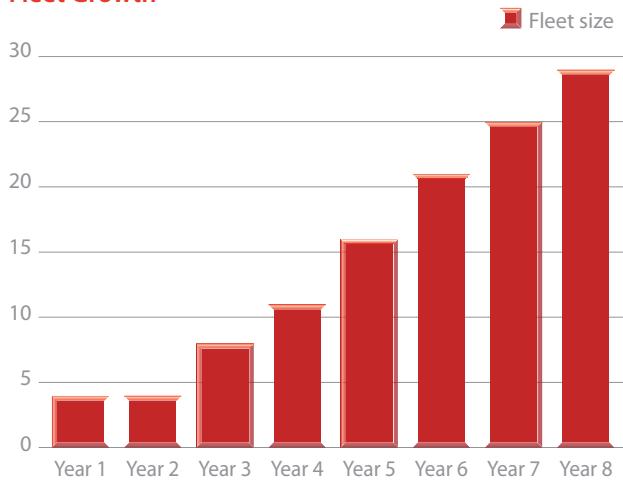
Flight Simulator

This US\$10 million flight simulator was inaugurated by HH Ruler of Sharjah in October 2011, and is used to provide world-class flight training for up to 400 pilots per year – including from Air Arabia and other regional and international carriers. Providing significant cost savings for the airline, the flight simulator also represents an investment in the long-term knowledge transfer capacities of Air Arabia and, more generally, the emirate of Sharjah.

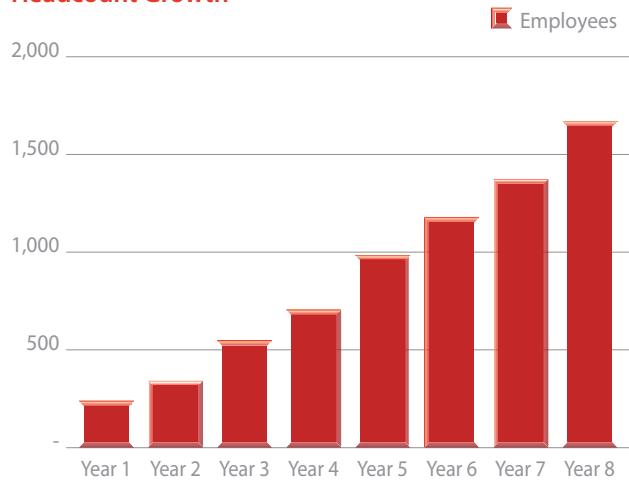


Below charts showcase year-on-year growth in terms of Fleet, Destinations, Passenger number, Profitability and staff count.

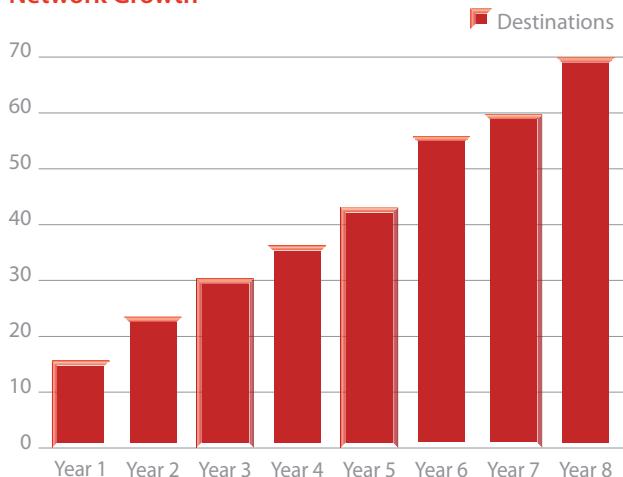
Fleet Growth



Headcount Growth



Network Growth



Profitability Growth



Passengers Growth



Finding Value

Air Arabia managed over the past eight years to create a unique business model that made it possible for a wide segment of the local and regional communities to use air travel more often. Through continuous market research and customer's feedback; the airline also managed of crafting products that has, over the past years, added value to the overall travel journey and millions of passengers were able to benefit from. The airline has also managed to grow its ancillary revenues by 20 % in 2011 compared to last year.

In addition to the generous cabin seat configuration of 32 inches seat pitch that Air Arabia has equipped its entire fleet with, the airline introduced 'Seat Selection' service that gives customers the choice to select their preferred seat at the time of booking and prior to their flight. The carrier also re-launched its Sky Café product in 2011 offering customers a coffee shop experience onboard its flights, with a new menu serving over 20 items as well as dedicated online menu with more items for passengers who prefer to book their meals in advance.

Air Arabia also introduced its new 'Flexi-Fare' product that offers customers the chance to upgrade their booking to be more flexible when they book their tickets.

In-addition, the online check in from Sharjah airport has made traveling through Sharjah Airport not only efficient but also seamlessly and time saving. In 2011, Air Arabia also launched its daily and regular bus service 'Air Arabia Express' with regular shuttle service between the City of Dubai and Sharjah Airport and has made this service available online to be booked along with the ticket.

Air Arabia has also signed up with AIG and launched a unique Travel Insurance product to its customers looking to enjoy peace of mind while traveling. Travel Secure has become a valuable product to thousands of customers who are looking to maximize the value of their journey.

Air Arabia also offers value for money options on land as well with its unique budget holidays product. Holidays packages are offered at an extremely affordable prices and the airline has tied up with large network of hotel and car rental to guarantee best deals to its customers, and all available a click away at Air Arabia's website. Finding value in every dirham spent is what Air Arabia is all about. That entire ancillary's are optional to customers who look to add more convenience to their journey and at a minimal cost.



Fleet Management



Air Arabia ended the year by receiving the aircraft number 500 that Airbus has delivered in 2011 and its own sixth aircraft of 2011. Air Arabia has taken delivery of eight out of 44 A320 aircraft ordered back in 2007. The delivery of the 44 new aircraft will be completed by 2016, and will more than double the size of Air Arabia's fleet, in line with its aim to increase its total operating fleet to more than 50 aircraft.

This growth of Air Arabia fleet size could only be supported with range of infrastructure projects that will assure fleet support on the long run. As a result, the airline invested in its own state-of-the-art aircraft Hangar at Sharjah International Airport which has been designed to meet all the maintenance, repair and overhaul requirements of the entire Air Arabia fleet, while also servicing other airlines and aircraft travelling through Sharjah International Airport. Currently staffed by 165 skilled professionals, the Air Arabia hangar is anticipated to employ 500 staff by 2017.

In addition to its existing Flight academy, Alpha Aviation UAE, which supports Air Arabia with its pilots to man the fleet growth, the airline inaugurated its US\$10 million flight simulator in 2011, which is used to provide world-class flight training for up to 400 pilots per year – including from Air Arabia and other regional and international carriers. Providing significant cost savings for the airline, the flight simulator also represents an investment in the long-term knowledge transfer capacities of Air Arabia and, more generally, the emirate of Sharjah.

Matching the solid investments made to support growth in fleet size, the carrier maintained its world breaking record for the fifth consecutive year in 2011 - when Airbus awarded Air Arabia the A320 Family Operational Excellence Award for the year 2009-2010. Air Arabia received the award for achieving the highest level of A320 family aircraft utilisation in the world for a fleet of less than 30 aircraft, with 99.8 per cent operational reliability. Air Arabia received the prestigious award in Toronto, Canada, during Airbus's biannual symposium of all operators of the A320 Family worldwide.

More Places

Air Arabia's ambitious network expansion strategy was central to the significant growth in passenger numbers witnessed in 2011.

Air Arabia added six new routes from its main hub at Sharjah International Airport to Moscow and Yekaterinburg in Russia; Kharkiv and Donetsk in Ukraine; Gassim and Yanbu in KSA.

The growth pattern from the carrier's main hub has been expanded to over 50 airports with special focus to the Russian Federation and CIS region.

In addition, the airline launched non-stop services from its Alexandria hub to Milan in Italy, Riyadh and Dammam in KSA. Air Arabia Egypt has also introduced a successful charter operation between the Red Sea in Egypt and various cities across Germany.

This continuous charter represents the enormous potential for leisure travel that exists between Egypt and Europe. Air Arabia Maroc has also strengthened its position into Europe by introducing set of new routes that offered a great connectivity between various Cities in Morocco and Europe. The carrier launched services between the French City of Montpellier and various cities in Morocco. The carrier also introduced services between its hub in Casablanca Mohamed V International Airport and Turin-Cuneo Airport in Italy. Last but not least, the carrier launched flights between the Moroccan City of Tangier and Barcelona in Spain, while celebrating its second anniversary since start of operations.

In 2011, Air Arabia's global network crossed the 70 destinations mark operating from three strategic hubs in UAE, Morocco and Egypt.

Network Map



Financial Results



Independent Auditor's Report

To the Directors of Air Arabia P.J.S.C. (Air Arabia)

The accompanying summarised consolidated financial statements have been derived from the consolidated financial statements of **Air Arabia P.J.S.C. (Air Arabia) (the 'Company') and Subsidiaries (together the 'Group'), Sharjah, United Arab Emirates** for the year ended 31 December 2011. These summarised consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express our opinion on whether these summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

We have audited the consolidated financial statements of the Group for the year ended 31 December 2011, from which the summarised consolidated financial statements were derived, in accordance with International Standards on Auditing. In our report dated 25 February 2012 we expressed an unqualified opinion on the consolidated financial statements from which the summarised consolidated financial statements were derived.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the Group's financial position and the results of its operations for the year and of the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which the summarised consolidated financial statements were derived and our audit report thereon.

25 February 2012

Consolidated statement of financial position

At 31 December 2011

	2011 AED'000	2010 AED'000
ASSETS		
Non-current assets		
Property and equipment	2,423,132	1,195,499
Advance for new aircraft	596,935	593,213
Investment properties	164,397	49,352
Intangible assets	1,092,347	1,092,347
Goodwill	189,474	189,474
Deferred charges	11,088	18,042
Aircraft lease deposits	28,733	34,216
Available-for-sale investments	733,021	756,395
Trade and other receivables	2,566	15,395
Total non-current assets	5,241,693	3,943,933
Current assets		
Inventories	9,092	6,437
Due from related parties	102,329	28,435
Trade and other receivables	416,200	546,630
Bank balances and cash	1,344,900	1,844,563
Total current assets	1,872,521	2,426,065
Total assets	7,114,214	6,369,998

Consolidated statement of financial position

At 31 December 2011

(continued)

	2011 AED'000	2010 AED'000
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	4,666,700	4,666,700
Statutory reserve	180,382	153,475
General reserve	180,382	153,475
Cumulative change in fair values	(9,834)	13,800
Retained earnings	223,255	383,259
Equity attributable to owners of the Company	5,240,885	5,370,709
Non-controlling interests	8,552	6,220
Total equity	5,249,437	5,376,929
Non-current liabilities		
Provision for employees' end of service indemnity	36,987	29,273
Trade and other payables	42,425	30,104
Finance lease liabilities	865,165	214,303
Murabaha payable	32,285	-
Total non-current liabilities	976,862	273,680
Current liabilities		
Due to related parties	22,576	13,348
Deferred income	157,300	148,560
Trade and other payables	606,858	541,396
Finance lease liabilities	68,896	16,085
Murabaha payable	32,285	-
Total current liabilities	887,915	719,389
Total liabilities	1,864,777	993,069
Total equity and liabilities	7,114,214	6,369,998

Consolidated statement of income for the year ended 31 December 2011

	2011 AED'000	2010 AED'000
Revenue	2,434,660	2,090,737
Direct costs	(2,104,904)	(1,779,061)
Gross profit	329,756	311,676
Selling and marketing expenses	(39,989)	(34,591)
General and administrative expenses	(105,561)	(77,403)
Profit on bank deposits	71,553	115,569
Finance costs	(20,941)	(601)
Other income / (expenses)	39,035	(5,091)
Profit for the year	273,853	309,559
Attributable to:		
Owners of the Company	269,071	305,789
Non-controlling interests	4,782	3,770
	273,853	309,559
Basic earnings per share	0.06	0.07

Consolidated statement of comprehensive income for the year ended 31 December 2011

	2011 AED'000	2010 AED'000
Profit for the year	273,853	309,559
Other comprehensive (loss)/income		
(Loss) / gain on revaluation of available-for-sale investments	(23,634)	61,370
Reclassification adjustment for losses included in profit and loss	-	3,473
Transfer to statement of income on sale of available-for-sale investments	-	362
Board of Directors' remuneration	(1,925)	(1,925)
Total other comprehensive (loss)/income	(25,559)	63,280
Total comprehensive income for the year	248,294	372,839
Attributable to:		
Owners of the Company	243,512	369,069
Non-controlling interests	4,782	3,770
	248,294	372,839

Consolidated statement of changes in equity for the year ended 31 December 2011

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	
Balance at 31 December 2009	4,666,700	122,896	122,896	
Profit for the year	-	-	-	
Other comprehensive income for the year	-	-	-	
Total comprehensive income for the year	-	-	-	
Transfer to reserves	-	30,579	30,579	
Increase in non-controlling interest	-	-	-	
Dividend paid	-	-	-	
Balance at 31 December 2010	4,666,700	153,475	153,475	
Profit for the year	-	-	-	
Other comprehensive loss for the year	-	-	-	
Total comprehensive income for the year	-	-	-	
Transfer to reserves	-	26,907	26,907	
Dividend paid	-	-	-	
Balance at 31 December 2011	4,666,700	180,382	180,382	

Consolidated statement of changes in equity for the year ended 31 December 2011

Cumulative change in fair values AED'000	Retained earnings AED'000	Attributable to owners of the company AED'000	Non-controlling interests AED'000	Total AED'000
(51,405)	607,223	5,468,310	-	5,468,310
-	305,789	305,789	3,770	309,559
65,205	(1,925)	63,280	-	63,280
65,205	303,864	369,069	3,770	372,839
-	(61,158)	-	-	-
-	-	-	2,450	2,450
-	(466,670)	(466,670)	-	(466,670)
13,800	383,259	5,370,709	6,220	5,376,929
-	269,071	269,071	4,782	273,853
(23,634)	(1,925)	(25,559)	-	(25,559)
(23,634)	267,146	243,512	4,782	248,294
-	(53,814)	-	-	-
-	(373,336)	(373,336)	(2,450)	(375,786)
(9,834)	223,255	5,240,885	8,552	5,249,437

Consolidated statement of cash flows for the year ended 31 December 2011

	2011 AED'000	2010 AED'000
Cash flows from operating activities		
Profit for the year	273,853	309,559
Adjustment for:		
Depreciation of property and equipment	104,316	44,729
Depreciation of investment property	750	750
Amortisation of deferred charges	7,575	9,969
Provision for employees' end of service indemnity	11,275	8,655
Impairment losses on available-for-sale investments	-	3,473
Unrealised loss on derivative financial instruments	6,621	871
Loss on disposal of property and equipment	-	6
Share of net losses from associates	5,801	37,940
Allowance made during the year	1,078	509
Amounts recovered during the year	(170)	(218)
Profit on bank deposits	(71,553)	(115,569)
Dividend income	-	(214)
Rental income	(5,826)	(3,300)
Gain on disposal of available-for-sale investments	-	(27,898)
Finance costs	20,941	601
Operating cash flow before changes in operating assets & liabilities	354,661	269,863
Increase in margin deposits	(855)	(596)
(Increase)/decrease in trade and other receivables	(109,993)	32,259
Increase in inventories	(2,655)	(1,386)
Increase in due from related parties	(73,894)	(5,867)
Decrease in aircraft lease deposits	5,483	1,184
Increase in trade and other payables	32,070	121,336
Increase in deferred income	8,740	19,208
Increase in due to related parties	9,228	13,348
Cash generated by operating activities	222,785	449,349
Employees' end of service indemnity paid	(3,561)	(2,493)
Interest paid	(17,297)	(601)
Net cash from operating activities	201,927	446,255
Cash flows from investing activities		
Purchase of property and equipment	(122,000)	(191,181)
Proceeds from disposal of property and equipment	139	676
Increase in advance for new aircraft	(157,231)	(276,863)
Increase in deferred charges	(621)	(1,746)
Payments for investment in associates	(5,801)	(9,150)
Purchase of available-for-sale investments	(260)	(455,247)
Proceeds from maturity of available-for-sale investments	-	993,819
(Increase)/decrease in fixed deposits	(166,849)	257,753
Profit on bank deposits	52,694	115,569
Net cash (used in) / from investing activities	(399,929)	433,630

Consolidated statement of cash flows for the year ended 31 December 2011

(continued)

	2011 AED'000	2010 AED'000
Cash flows from financing activities		
Decrease in other payables	(518)	(561)
Dividend paid	(373,336)	(466,670)
Dividend paid to non-controlling interests	(2,450)	-
Dividend received	-	214
Rental income	5,826	3,300
Increase in non-controlling interests	-	2,450
Board of Directors' remuneration	(1,925)	(1,925)
Repayment of finance lease obligations	(32,906)	-
Repayment of Murabaha payable	(64,056)	-
Net cash used in financing activities	(469,365)	(463,192)
Net (decrease)/increase in cash and cash equivalents	(667,367)	416,693
Cash and cash equivalents at the beginning of the year	838,529	421,836
Cash and cash equivalents at the end of the year	171,162	838,529

The following transactions are not reflected in the consolidated statement of cash flows as these are non-cash transactions.

- Advance paid for purchase of aircraft amounting to AED 153,509 thousand (2010: AED 57,456) has been adjusted with the purchase of two aircraft.
- Obligations under finance lease against eight (2010: two) aircraft obtained during the year.
- Additions to investment properties of AED 115,795 thousand (2010: Nil) and land and building amounting to AED 320,000 thousand (2010: Nil).

Notes to the summarised consolidated financial statements for the year ended 31 December 2011

1. General information

Air Arabia P.J.S.C. (Air Arabia) - Sharjah (the "Company") was incorporated on June 19, 2007 as a Public Joint Stock Company in accordance with UAE Federal Law No. 8 of 1984 (as amended). The Company operates in the United Arab Emirates under a trade license issued by the Economic Development Department of the Government of Sharjah and Air Operator's Certificate Number AC 2 issued by the General Civil Aviation Authority, United Arab Emirates. The "Group" comprises Air Arabia P.J.S.C. (Air Arabia) and its Subsidiaries.

The Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The Company is domiciled in the United Arab Emirates and the registered office address is P.O. Box 8, Sharjah, United Arab Emirates.

The licensed activities of the Company and its subsidiaries (together referred to as the "Group") are international commercial air transportation, aircraft trading, aircraft rental, aircraft rent, aircraft spare parts trading, travel and tourist agencies, hotels, hotel apartment rentals, airlines companies representative office, passengers transport, cargo services, air cargo agents, documents transfer services, telecommunications devices trading, aviation training and aircraft repairs and maintenance.

During the year, the Group acquired a hotel property in the U.A.E. valued at AED 320 million (land of AED 50 million and building of AED 270 million) and to facilitate this transaction, obtained a Murabaha facility. The resultant gain arising out of this receivable swapping transaction will be recognised as and when the payments is collected, against receivables which arose on account of the above transaction.

2. Accounting policies

The accounting policies followed by the Group are included in the consolidated financial statements in Note 3. These summarised consolidated financial statements should be read in conjunction with the Group's audited consolidated financial statements for year ended 31 December 2011.

3. Intangible assets

Intangible assets arising out of acquisition of Air Arabia L.L.C. (Air Arabia), determined by independent valuer is as follows:

	2011 AED'000	2010 AED'000
Trade name	395,410	395,410
Landing rights	468,273	468,273
Price benefit from related parties	180,281	180,281
Handling licence - Sharjah Aviation Services	48,383	48,383
	1,092,347	1,092,347

Notes to the summarised consolidated financial statements for the year ended 31 December 2011

(continued)

3. Intangible assets (continued)

The useful lives of intangible assets have been estimated to be indefinite by the independent valuer.

During the year intangible assets were subject to impairment test similar to goodwill and management has concluded based on the independent valuer's report that intangible assets are unlikely to be impaired for the reporting period.

4. Goodwill

Goodwill arising out of acquisition of Air Arabia L.L.C. (Air Arabia), determined by an independent valuer is as follows:

	2011 AED'000	2010 AED'000
Total fair value of Air Arabia Company L.L.C. (Air Arabia)	1,400,000	1,400,000
Fair value of intangible assets	(1,092,347)	(1,092,347)
Fair value of tangible assets (net)	(118,179)	(118,179)
At 31 December 2010 and 2011	189,474	189,474

During the year, the Group has performed the impairment test on goodwill through an independent valuer. The recoverable amount of cash-generating unit for impairment test has been determined using value in use calculation. For calculation purpose management approved cash flow projections for 5 year period from 2012-2016 and a discount rate of 15.29% per annum has been considered.

Cash flow projections during the budget period are based on the same expected gross margins throughout the budget period. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. Based on the results of impairment test performed it is unlikely that underlying goodwill will be impaired.

5. Available-for-sale investments

	2011 AED'000	2010 AED'000
Quoted	6,254	11,003
Unquoted	726,767	745,392
	733,021	756,395
In U.A.E.	365,706	389,080
In other G.C.C. countries	367,315	367,315
	733,021	756,395

Notes to the summarised consolidated financial statements for the year ended 31 December 2011

(continued)

5. Available-for-sale investments (continued)

Movement during the year were as follows:

	2011 AED'000	2010 AED'000
Fair value, at the beginning of the year	756,395	1,205,337
Purchases during the year	260	455,247
Proceeds on maturity	-	(965,559)
Change in fair value	(23,634)	61,370
Fair value, at the end of the year	733,021	756,395

6. Bank balances and cash

	2011 AED'000	2010 AED'000
Bank balances:		
Current accounts	144,516	51,913
Call deposits	25,294	31,242
Fixed deposits	1,171,483	1,758,542
Margin deposits	2,255	1,400
Total bank balances	1,343,548	1,843,097
Cash on hand	1,352	1,466
Total bank balances and cash	1,344,900	1,844,563
Less: Fixed deposits with maturity over 3 months	(1,171,483)	(1,004,634)
Margin deposits	(2,255)	(1,400)
Total cash and cash equivalents	171,162	838,529
Bank balances:		
In U.A.E.	1,300,090	1,839,800
In other countries	43,458	3,297
Total bank balances	1,343,548	1,843,097

Notes to the summarised consolidated financial statements for the year ended 31 December 2011

(continued)

7. Finance lease liabilities

The Group has entered into a leasing arrangement with a leasing company registered in the Cayman Islands to finance the purchase of eight aircrafts. The term of the lease is 12 years and payment due under lease agreement are as follows:

	Minimum lease payment		Present value of minimum lease payment	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Not later than one year	96,451	23,077	68,896	16,085
Later than one year but not later than five year	385,810	92,310	297,729	69,657
Later than five years	627,070	161,542	567,436	144,646
	1,109,331	276,929	934,061	230,388
Less : Future finance costs	(175,270)	(46,541)	-	-
Present value of minimum lease payments	934,061	230,388	934,061	230,388

The finance charges will be calculated based on 3.2% (2010: 3.09%).

Included in the summarised consolidated financial statements as:

Current portion of finance lease liabilities	68,896	16,085
Non-current portion of finance lease liabilities	865,165	214,303
	934,061	230,388

The finance lease liabilities are secured by the eight (2010: two) aircraft leased.

The lease agreements are subject to certain financial and operational covenants including compliance to various regulations, restrictions on subleasing, insurance coverage and maintenance of total debt to equity ratio.

Notes to the summarised consolidated financial statements for the year ended 31 December 2011

(continued)

8. Revenue

	2011 AED'000	2010 AED'000
Passenger revenue	2,192,788	1,895,724
Baggage revenue	33,607	31,147
Cargo revenue	53,251	45,603
Service revenue	21,669	9,392
Catering revenue	32,366	25,996
Flight handling revenue	34,211	35,876
Cargo handling revenue	31,833	33,430
Passenger services	10,605	11,287
Other operating income	20,292	13,302
Revenue from hotel operations	23,435	-
Sales commission and expenses	(19,397)	(11,020)
	2,434,660	2,090,737

9. Basic earnings per share

	2011	2010
Profit for the year (in AED '000)	269,071	305,789
Number of shares (in thousand)	4,666,700	4,666,700
Basic earnings per share (AED)	0.06	0.07

Basic earnings per share have been calculated by dividing the profit for the year by the number of shares outstanding as at the reporting date.

10. Operating lease arrangements

The fixed lease commitments against 18 (2010: 20) delivered aircraft were as follows:

	2011 AED'000	2010 AED'000
Within one year	248,465	285,271
In the second to fifth years inclusive	354,087	595,509
After five years	-	7,043
	602,552	887,823

Notes to the summarised consolidated financial statements for the year ended 31 December 2011

(continued)

11. Contingent liabilities

	2011 AED'000	2010 AED'000
Letters of credit	64,147	74,636
Letters of guarantee	13,944	14,575

Letters of credit mainly comprise letters of credit issued to lessors of aircraft in lieu of placing deposits against leased aircraft.

12. Capital commitments

12.1 The Group has entered into the following capital commitments:

	2011 AED'000	2010 AED'000
12.1.1 Authorised and contracted:		
Aircraft fleet (Note 12.2)	10,373,714	12,033,882
Investment in an associate	-	34,921
Hotel project	-	7,703
Simulator project	-	42,945
Others	23,638	1,383
	10,397,352	12,120,834
12.1.2 Authorised but not contracted:		
Aircraft fleet (Note 12.2)	1,422,807	1,422,807

12.2 Aircraft fleet

The Group has entered into a contract with Airbus S.A.S. for the purchase of 34 Airbus A320 aircraft and there was an option in the contract to purchase 15 aircraft from Airbus, out of which, the Group has exercised the option of purchasing 10 aircraft. The total value of the 36 aircraft order was approximately USD 2.9 billion (AED: 11 billion) (31 December 2010: 42 aircrafts, USD 3.5 billion (AED 12.6 billion)) at list prices subject to adjustment in accordance with the Airbus price revision formula. As per the contract, 20% of the purchase price of 36 (2010: 42) aircraft is payable over the next four years, with the balance being due on delivery.

13. Dividend

During 2011, a dividend of AED 8 fils per share (2010: AED 10 fils) was paid to the Shareholders.

The Directors propose that a dividend of AED 210,001,500, AED 4.5 fils per share (2010: AED 373,336,000, AED 8 fils per share) will be paid to the Shareholders in 2012. This dividend is subject to approval by the Shareholders at the Annual General Meeting and has not been included as a liability in these summarised consolidated financial statements.