

**ANNUAL REPORT 2009**



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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On time travel, value added services and low fares. This is Air Arabia's simple promise to you! Six continuous years of re-shaping air travel in the region and opening up the skies for more people to fly more often. From the world's best low cost airline, we welcome you to our 2009 Annual Report.



## our vision

"To be one of the world's leading budget airlines".

In terms of:

- Profit Margin
- Innovation
- Reputation
- Operational Excellence

## our mission

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

To achieve this we will:

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

# board of directors

Sheikh Abdullah Bin Mohamed Al Thani	Chairman
Mr. Adel Abdullah Ali	Executive Director
Dr. Ghanem Mohammed Al Hajri	Independent Director
Mr. Abdulwahab Mohammed Al Roomi	Independent Director
Mr. Taryam Mattar Taryam	Independent Director
Mr. Arif Naqvi	Non Executive Director
Mr. Mustafa Abdel-Wadood	Non Executive Director



**HH Sheikh Abdullah Bin Mohamed Al Thani**  
Chairman, Air Arabia

HH Sheikh Abdullah Bin Mohammed Al Thani holds several prominent positions in the UAE. HH Sheikh Abdullah is a member of Sharjah Executive Council and also the chairman of Sharjah Airport Authority and has been renowned for his contributions in the development of the Aviation Industry in UAE, and his efforts have significantly enhanced Sharjah Tourism.



**Mr. Adel Abdullah Ali**  
Chief Executive Officer, Air Arabia

Mr. Adel Ali, awarded world's Low Cost Airline "CEO of the year" 2007, 2008, 2009, has been given credit for setting up the Middle East and North Africa's first low-cost carrier (LCC), Air Arabia. Mr. Ali enjoys over 28 years of strategic aviation experience and had previously served as Vice President (Commercial and Customer Service) for Gulf Air, where he played a central role in the airline's recovery. Previously to this, he spent over 20 years with British Airways where he also held senior management positions, including General Manager (Middle East and Africa).

Mr. Ali has served as a Director and a Senior Board Member for a number of companies in the Middle East and Europe and currently is the Chairman of Information Systems Associates (ISA) and Alpha Flight Services. He has been recognized within the industry as a Middle East airline expert and has been ranked among the 28th most influential Arabs by Arabian Business magazine.

Mr. Ali's innovative achievements have been globally recognized for driving Air Arabia's growth to become the largest low cost carrier in the Middle East as well as the first publicly owned airline and among the top 40 most admired companies in the Arab World, all within a span of only five years.



**Mr. Arif Masood Naqvi**  
 Founder and Chief Executive Officer,  
 Abraaj Capital Limited

Arif Naqvi is the founder and Chief Executive Officer of Abraaj Capital, the largest private equity firm in the MENASA region, based in Dubai. Arif Naqvi is a member of the Young Presidents Organization, Arab Business Council of World Economic Forum and is a board member of the Pakistan Human Development Fund, the King Abdullah II Award for Youth Innovation and Achievement in Jordan, the Dubai Government Education Endowment Fund in the UAE and a member of the EMPEA Advisory Council.

Mr. Naqvi has been recognized as one of the 50 most influential people in the Private Equity Industry and received the highest civil honor in Pakistan, Sitari-e-Imtiaz, by the Republic's President in 2006.



**Dr. Ghanem Mohammed Al Hajri**  
 Director General, Sharjah Airport  
 Authority

Dr. Ghanem Mohammed Al Hajri is currently the Director General of Sharjah Airport Authority. Dr. Ghanem has served in numerous regional and international senior aviation posts including Secretary General for Gulf Airports Services Association (GASA) and Secretary General of Arab Airport's council.

Dr. Ghanem has been a Member of the Board of Directors of the Airport Council International (ACI) since 1991, through his career he was elected President ACI Asia Region, then elected as Vice Chairman and second Deputy Chairman ACI, and finally was elected as Chairman ACI.

Dr. Ghanem Holds a Doctorate Degree in Air Transport from Cranfield College of Aeronautics, United Kingdom.



**Mr. Mustafa Abdel-Wadood**  
 Managing Director, Abraaj Capital

Mr. Mustafa Abdel-Wadood is the Managing Director of Abraaj Capital, the leading private equity firm in the MENASA region based out of Dubai. Besides the Board of Air Arabia, Mustafa sits on Board of Directors of Abraaj Capital, Egyptian Fertilizers Company, EFG-Hermes, Jordan National Bank, BMA Capital, Jordan Aircraft Maintenance Company and other various boards.

Earlier, Mr. Mustafa played a huge role with EFG as CEO of EFG-Hermes (UAE), was Co-founder and Managing Director of Sigma Capital, and was Director of Development and Investments at Orascom and Board Member of Orascom Telecom.

Mr. Mustafa was selected by the World Economic Forum as one of the 100 Global Leaders for Tomorrow for the Year 2002 and as a Young Global Leader (YGL) for 2007.



**Mr. AbdulWahab Mohammad Al Roomi**  
 Director General, Civil Aviation -  
 Sharjah

Mr. AbdulWahab Mohammad Al Roomi is the Director of Civil Aviation, Sharjah.

Mr. AbdulWahab sits on various boards along with Air Arabia's board, such as Board Member Sharjah Commerce & Tourism Development Authority, Board Member Sharjah International Free Zone, and Board Member Sharjah International Airport.

He is an Engineer, holding a Degree in Chemical and Petroleum Engineering from Al Ain University in UAE.



**Mr. Taryam Mattar Taryam**  
 Director General, Sharjah Airport  
 International Free Zone

Mr. Taryam Mattar Taryam enjoys wide and long years of experience in the telecom industry where he spent 17 years with Emirates Telecommunications Company (ETISALAT) where he held the position of General Manager.

Mr. Taryam and for the last nine years has been the Director General of Sharjah Airport International Free Zone (SAIF-Zone) and along with Air Arabia, Mr. Taryam is a member of Board of Directors for Sharjah International Airport.

# board of directors report

The Board of Directors of Air Arabia is pleased to present its report for the year ending 2009.

Beyond any doubt, 2009 has been a very difficult year for business; Aviation in particular was very badly affected, to the extent that the industry collectively incurred huge losses worldwide. Against this background your company, Air Arabia, still managed to generate a net profit of AED 452 Million, from total revenues approaching AED 2 Billion.

In addition, Air Arabia continued to expand in 2009, carrying 4.1 million passengers, a growth of 13% over 2008. Load factors reached 80%, an excellent performance, and by far the best in the region.

This result continues the success story of Air Arabia, throughout these difficult circumstances, and during an economic crisis which started back in 2008 and lasted for the whole of 2009, and it reflects the solidness of our model, and the ongoing demand for low cost travel in the region.

In 2009, Air Arabia expanded its business, through a joint venture in Casablanca, Morocco and this has proved to be a great success during its first year of operation.

In all we are pleased to announce that the joint ventures supporting our business have contributed AED 27 Million in profit during the year, an improvement of AED 9 Million on last year.

As we have always said, Air Arabia recognizes that the strongest pillar of its model are its loyal employees, who in 2009 have reached 1100. The board of directors appreciates the contribution made by each one of them towards the company's success.

Moving on from the excellent results of 2009 we promise to continue working on this strong model we have created, and with the ongoing efforts of our staff, and the support of our loyal customers, we will continue this success story for many years to come.



# air arabia letter

Dear Shareholders,

It has been a year since we met at the Air Arabia's Annual General Meeting 2008; a year full of challenges and rewards. In accordance with the vision of His Highness Dr Sheikh Sultan Bin Mohammad Al Qasimi, Member of the Supreme Council and Ruler of Sharjah, and the direction of the Board of Directors and the Management of Air Arabia Group, we have succeeded in bringing Air Arabia to new higher levels, testing the boundaries of the unique business model which we created and also launching the airline onto the global scene. All this, in our sixth year of operation.

## Continuous Growth in 2009

From the swine flu phenomena to destabilized economies and everything in between, the Aviation industry paid a high price in 2009 summing up to around \$11 Billion in losses; the highest in the history of aviation! This was not entirely a surprise for us, as 2008 had prepared us to the upcoming challenges. We had anticipated that the severe economic slow down that had hit the world's economy in 2008 would have its impact on the overall performance of the travel industry in 2009 and therefore, as we have always told you in our public speaking engagements, Air Arabia will remain cautiously positive about the near future as we are passing through this cloud of un-certainty.

The global aviation environment has had its impact on the region. The dilution of yields was considered the major challenge for airlines operating in this part of the world. While passenger traffic continued its up-ward trend in the Middle East and North Africa, competition has put yield figures under pressure. Many of the traditional airlines have added additional capacity to the region, as a consequence of the world wide financial crisis and therefore, overcapacity found in the market has set new challenges for airlines pricing strategies.



During that time of great instability, Air Arabia nevertheless continued to chart a path to profitability, expanding into new markets and ventures as well as maintaining high levels of growth. Based on our strong business model, efficiency of our operations and a compelling value-for-money customer proposition, Air Arabia has been able to navigate these challenges and continue invest in its long-term growth.

In 2009, we have launched operations from our second hub in Casablanca, Morocco. In less than seven months, we have placed a fleet of three aircraft in the new hub at Mohamed V International Airport and developed our operations to cover twelve cities across Europe and set the commercial structure to profitably grow our operations there. At the same time, we have maintained growth figures from the main base at Sharjah Airport by adding four new routes and increasing frequencies to many existing ones. We are proud to say that Air Arabia can now fly you to over 60 destinations across the globe.

**Solid Financial Performance**

In 2009 also, we have also entered into new partnerships, ventures and introduced new products and services that further bring value to our customers. We have also announced Air Arabia's third hub in Egypt through a joint venture agreement with Travco Group.

The new hub is expected to be launched in 2010 and will open up new markets for us as well as linking the two exiting hubs in certain cities. With all three hubs that we are aiming to grow, Air Arabia is on the right track to become The Pan Arab Airline!

Air Arabia subsidiaries have also developed through out 2009 and began to profitably contribute to the bottom lines of the Group. We are proud to see that our joint venture companies are following the profitability path of Air Arabia.

During last year's Annual General Meeting, the Board proposition of 10% cash dividend was ratified and 10% of the company's capital was shared with you, our shareholders. This is a testament to our promise of continuous return to our investors. Strong financial performance continued in 2009 amid the harsh financial environment that dominated the economy. We have continued our legacy of being the world's most profitable airline and registered a net profit of AED 452 Million for 2009, demonstrating the continued profitability and the efficiency of Air Arabia's business model. Moreover, we were declared the World's best low cost carrier in 2009, by a study that examined the financial welfare of Air Arabia and benchmarked the company against all listed carriers in the world.

**Welcoming 2010**

Every cloud has a silver lining and Air Arabia's uniqueness is in turning challenges into opportunities. We have said before that we will remain cautiously optimistic in 2010 and we say it here again. Air Arabia will continue to focus on doing what we do best, – providing our customers with the most competitive fares, greatest number of destinations and highest-quality services – and are confident that this will be reflected in the return on investment to our shareholders.

And finally, we thank each of the 14 million customers who chose to fly Air Arabia over the past six year and we re-enforce on our promise of making air travel more affordably by the day. To our people, we always say, we have all the confidence that you will always rise to the promise, no matter how high the goal is.

Yours Sincerely,



Abdulla Bin Mohammed Al Thani  
Chairman

Adel Abdullah Ali  
Board Member and Group CEO

# milestones achievements of 2009

## Six Years, Sixty Destinations

In October 2009, we celebrated Air Arabia's sixth anniversary, marking six years of growth, success and change.

At a time where the aviation industry was witnessing its ever biggest loss and airlines were cutting on capacity, we decided to forge ahead with our expansion plan. Starting by increasing capacity from our main base at Sharjah Airport to cover over 47 destinations and launched our "leading fares lower" campaign that helped people to maintain their travel needs in such difficult times. We started operations from our second hub in Casablanca's Mohamed V International Airport and organically grew our network to cover 12 destinations in Europe in less than seven months and therefore, competing on a global scale. We have also announced our will in setting up our third hub in Egypt by signing a joint venture agreement with Travco Group. Operations from Egypt are expected to start in 2010.

With all the change Air Arabia brought to the regions aviation, our simple promise of value for money air travel hasn't changed. Our objective will always remain to offer our customers comfort, reliability and value for money journey.

## Fleet Expansion

The year 2009 has seen Air Arabia increasing its fleet by 5 new aircraft expanding the company's fleet size to 21 (leased and owned) Airbus A320 aircraft. In March 2008, we purchased three Airbus A320 aircraft and throughout the year 2009, we have leased 5 new A320 aircraft. Since the start of our second hub in Mohamed V International Airport in the City of Casablanca, Morocco, we have deployed three new aircraft to operate on 12 routes through out Europe. We have also grown our operation from the main base at Sharjah International Airport by adding two new aircraft to our existing fleet and thus, adding new destinations and increasing frequency to existing destinations.

The order for purchasing aircraft from Airbus remained as announced in 2008 of 44 brand new airplanes. We have managed to bring the delivery date of those aircraft forward to start by end of the year 2010. The order for acquiring new aircraft was originally signed in November 2007 for 34 Airbus A320 type and a year after, in November 2008, we decided to utilize the optional 10 aircraft by increasing the order to a total 44 aircraft.

## MAROC Hub

In 2009, Air Arabia embarked upon a new phase of organic growth, launching its second hub in Casablanca, Morocco in April. The new hub was set-up in a record time and with in seven months, our network has grown to reach 12 different cities across Europe. The new hub at Mohamed V International Airport allowed us to benefit from the open sky agreement between Morocco and Europe and therefore, aggressively serve that continent offering the Moroccans as well as Europeans access to the unique Air Arabia model. At the same time, our operations from Morocco will allow us to enter the under served Market of Africa in the near future.

Air Arabia introduced its latest family member Air Arabia "EGYPT" in the last quarter of 2009. Air Arabia's third hub in Egypt is expected to commence operations in 2010. The new hub will operate across the Middle East, Europe and Africa and therefore, linking our ever growing global network together.

## New Routes, More Frequencies

As every year, entering new cities and expanding network reach is something Air Arabia is renowned for. In 2009, we started operations from our second hub in Mohamed V International Airport in Casablanca, Morocco which allowed us to aggressively enter the European market. In addition, we continued the steady growth from our main base at Sharjah International Airport, UAE.

We added a total of 14 new destinations to our comprehensive route network in 2009, four from Sharjah and twelve from Casablanca. We introduced services to Goa and Athens from Sharjah in April followed by services to London, Brussels, Marseille, Milan, Lyon and Paris from Casablanca in May. Flights to Barcelona from Casablanca took off in June. We further expanded into Europe in August by launching services to Amsterdam from Casablanca as well as to Medinah, KSA from Sharjah. The month of October witnessed further expansion by adding flights to Samara, Russia from Sharjah and flights to Venice, Bologna and Basel from Casablanca.

Due to increasing demand and business needs, we have doubled services to Damman, KSA and Istanbul, Turkey. By end of 2009, Air Arabia route network reached over 60 Global destinations across the Middle East, North Africa, Indian Subcontinent, Europe and Asia.



April 15, 2009	Sharjah – Goa
April 21, 2009	Sharjah – Athens
May 6, 2009	Casablanca – London
May 10, 2009	Casablanca – Brussels
May 10, 2009	Casablanca – Marseille
May 12, 2009	Casablanca – Milan
May 14, 2009	Casablanca – Lyon
May 16, 2009	Casablanca – Paris
June 25, 2009	Casablanca – Barcelona
August 3, 2009	Casablanca – Amsterdam
August 23, 2009	Sharjah – Medinah
October 25, 2009	Casablanca – Venice
October 25, 2009	Casablanca – Basel
October 26, 2009	Casablanca – Bologna
October 26, 2009	Sharjah – Samara

### Innovative Services

As we grow bigger, customer convenience remains at the core of our business. In 2009, we have introduced a series of services to enhance our customer's travel experience. An online check-in service was introduced at Sharjah International Airport, offering our customers the choice to check-in before even reaching the airport. We have also unveiled a simple, user-friendly website in six languages and a wide range of new and expanded features, making booking with Air Arabia easier and more efficient than ever. Customers can now select their meal, and assign their seat while booking their flight online. In addition, they can book many of the facilities at Sharjah Airport such as meet and greet and airport lounges while booking their ticket.

Air Arabia Holidays, a value holiday booking service offered by Air Arabia was launched just before the summer travel season, offering customers a range of exciting travel options to many exotic destinations.

Air Arabia partnered with Dubai Islamic Bank (DIB) and Dubai Bank to provide electronic ticket payment services. Air Arabia customers can now use their DIB or Dubai Bank account to pay for Air Arabia services through mobile banking, phone banking, cash deposit machines and automated teller machines across the UAE.

In partnership with Mashreq Bank, we have launched Air Arabia Mashreq Credit Card, a loyalty card offering card holders a unique combination of premium banking services from Mashreq and a wide range of travel services and rewards from Air Arabia.

We have also signed a cargo agreement with Aramex, the global logistics solutions provider, covering the Middle East, Africa, Indian subcontinent, and Commonwealth of Independent States (CIS). Under the terms of the agreement, Aramex will have access to Air Arabia's cargo facility in Sharjah International airport to operate a sorting hub for express shipments.

### Over 14 Million Passengers

In 2009, we passed the 14 million passenger mark since the launch in October 2003. The year 2009 saw Air Arabia carrying 4.1 million passengers, a 15 per cent increase from same period in 2008. Just like the year before, 2009 saw Air Arabia achieving one of the world's highest seat factors with an average of 80 per cent.

### Un-matched Financial Performance

The year 2009 will be considered one of the worst years in the history of aviation with the industry losses reaching \$11 billion. The year saw many airlines across the globe filing for bankruptcy and many others cutting on capacity in an attempt to recover from continuous losses. All these factors have put additional pressure on Air Arabia's performance and bottom lines. However, due to the low operational cost and dynamic business model combined with the appeal for low cost services in this region we maintained our growth and profitability.

For the year 2009, Air Arabia posted Net profits of AED 452 million sustaining 2008 strong performance of AED 454 million (excluding exceptional items). Revenue generated was AED 2 billion, a decline of 4.5 per cent from AED 2.066 billion recorded in 2008.



### 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 our 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 programme when it launched the "Charity Cloud" project in collaboration with Sharjah Charity International in 2005. The programme 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 programme.

In 2009, Charity Cloud Committee inaugurated its latest Charity Cloud School in the Trissur district of Kerala, India. The school will offer quality education to children from the underprivileged sections of society.

As part of 2008 CSR initiatives, the company sponsored a new school in the Warkabola area in Sri Lanka. The airline donated an initial sum of US\$61,000 to extend an existing school, providing learners with better education facilities.



Construction of Sri Lanka Charity Cloud school was completed in 2009 offering more than 300 students a better facility for education. Later in 2008, Air Arabia sponsored the first phase of renovations of the Shree Shagyodaya Secondary School in Kathmandu, Nepal. The airline assisted in erecting a pump and containers to supply water to the school. Full adoption of the school renovation will commence as phase two.

In 2007, Air Arabia and Sharjah Charity International inaugurated Air Arabia Medical Centre, the first free medical clinic in the needed area of Jallas in Sudan, a desert area with a population of over 20,000 and 450 km away from the Capital, Khartoum. In 2009, the clinic went into a renovation phase to better maintain the quality of health care at the clinic. Charity Cloud clinic, included an operation and examination room, maternity room as well as a laboratory and pharmacy.

### Air Arabia Sailing World

'Air Arabia Sailing World' is Air Arabia sports sponsorship program that helps professional sailors to achieve their sports dreams. The program was launched in 2007 and since then, managed to introduce two major sailing events that achieved global records.

In 2009, Air Arabia Sailing World introduced 'Bahrain Team Air Arabia', through the sponsorship of the Bahrain Match Racing Sailing Team, who competed in two international sailing regattas in Mumbai, which took place on January, 23 - 30, 2009 at Chowpatty Bay, Mumbai, India. The team was ranked fifth overall in the world championships.

In 2007, Air Arabia Sailing World introduced "World Endurance Sailing Challenge", sponsoring Al Kooheji, one of Air Arabia pilots and Olympic sailor to complete an unprecedented 550-kilometre non stop solo voyage in a small Laser sail boat from Bahrain to Dubai, where he achieved a new world record.

### Environmental Practices

Air Arabia realizes its environmental responsibilities and followed best practices since its inception. The airline fleet policy has been associated with investing in new airplanes. Even though the cost associated with new fleet is very high, especially in current economic conditions, Air Arabia invested billion of dollars in its fleet growth, signing an agreement with Airbus to purchase 44 brand new Airbus A320 aircraft. Air Arabia's association with brand new aircraft resulted in less fuel consumption and toxic wastage towards the environment. The company fleet aging policy is designed to maintain a young fleet, and running currently at an average age of 1.5 - 2 years.

The airline also follows green practices in its offices work space. Being e-driven company, paper use is kept to the minimum and paper recycling is a must. All back office filing is done electronically and the company has leading IT solutions for its internal communications, and all based on computer systems.

# corporate governance

## 1. Governance Practices:

Since the resolution R/32 by Emirates Securities and Commodities Authority, Air Arabia has taken appropriate steps and measures to ensure the application of international Corporate Governance standards.

Air Arabia sees Corporate Governance as the best practice system through which companies are directed and controlled. It involves a set of relationship between the Board of Directors, Management, Shareholders, and Stakeholders. Corporate Governance aims to provide the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance determined.

We base our standards on the following:

1. Best Standards Board Practices
2. Appropriate Control – Environment and Processes
3. Strong regime of disclosure and transparency.
4. Protection of minority shareholders rights.

Air Arabia PJSC has also introduced the following policies in order to adapt best governance practices:

- Shareholder Communication Policy
- Code of Ethics
- Share Dealing Policy
- Whistle Blowing Policy
- CSR Policy
- Related Party Transaction Policy

## 2. Board of Directors:

As indicated earlier, Air Arabia Board of Directors have embraced the Corporate Governance regulations and have adopted it immediately, taking into consideration the changes required for that.

Our Board of Directors consists of 7 members, of which 1 is executive director, 3 are non-executive directors, and 3 are independent directors.

The backgrounds and experiences of our directors have been disclosed earlier within this report.

Two Main Board Committees are formed and in duty which are Remuneration Committee and Audit Committee. Our current boards term expires in 2011, the same board members and others could nominate themselves for the elections of 2011.

## 3. External Auditor:

On the 23rd of March 2009, Air Arabia's AGM reappointed Deloitte as Independent Auditors of Air Arabia – PJSC for the year 2009 for AED 325,000/-.

## 4. Audit Committee:

The Audit Committee is Chaired by Mr. Taryam Mattar, and composed of Mr. Abdulwahab Al Roomi and Mr. Mustafa Abdulwadood as members. The Audit Committee regularly holds meetings, and works closely with Head of Internal Audit at Air Arabia – PJSC. The committee reports back to the Board of Directors on all required matters.



# our people

Any great business is only as good as its team and Air Arabia is home to some of the aviation industry's best talent. Professional pilots and dedicated cabin crew are supported by highly experienced ground staff and cutting edge technology. Air Arabia's superior service and low cost are brought to you courtesy of a strong corporate vision and solid team spirit.

With full support from the chairman, the Board of Directors, Air Arabia founder and Group CEO Adel Ali is responsible for the vision behind the airline. With more than 28 years experience in the aviation industry, he is wise to the risks and downfalls which is why each aspect of the business has been carefully considered and each department led and managed by the best people. His commitment to making Air Arabia a success paid off over the years and in 2009 when he was named low-cost carrier (LCC) 'CEO of the Year' for the third consecutive year and Air Arabia was named 'World's best LCC'.

Air Arabia now employs more than a thousand dedicated staff and that number is set to grow as the airline expands. Air Arabia's growth from single destination to an ever expanding multi-destination airline has been rapid and the business strategy was consolidated in 2007 with the company's Initial Public Offering (IPO). The offering, one of the biggest of its kind at the time, was a huge success and marked Air Arabia as the Arab world's first publicly owned airline.

While the Air Arabia brand has a very public face, the seamless day-to-day operation of the company is down to a dedicated back office that represents the unsung heroes of the company. The Corporate Department handles the dynamic public, investors and corporate relations as well as driving business development and strategy. It's fair to say that the 'beating heart' of the company is the Operations Department. This includes all Cabin Crew and Pilots and all front-line team that constitute the public face of Air Arabia. These multi-talented, multi-national teams are Air Arabia's on-board ambassadors. For any airline safety and security are not just a priority but a way of life. The Engineering Department is home to the industry's most dedicated technicians who guarantee the highest-levels of quality control, manage the fleet and make sure that each aircraft performs to its best.

The Commercial & Revenue Department includes all marketing and sales team that help promote and develop the brand as well as pursuing all commercial opportunities. Air Arabia employs people from all over the world and it's the Human Resource Department that is responsible for young, dynamic and diverse team who call Air Arabia home today. Recruitment and retention of staff is crucial to the company's growth and the teams at HR are constantly scouring the globe for the very best talent. Air Arabia has become synonymous with easy online booking and although it all looks simple, the IT Department has, perhaps, one of the toughest jobs at the airline. That of ensuring that the online system works, flawlessly 24-hours a day 365 days a year. Low-cost airlines survive and succeed by offering the very best prices possible, Air Arabia's Finance Department strive to ensure that the balance between affordable flights matches the service, safety and security of the people's favorite airline.

Air Arabia prides itself on it's team and understands the importance of offering long-term career prospects to match its long-term growth objectives but most of all it recognizes the importance of a loyal customer base. With this in mind and looking ahead to the next six years, the airline would like to thank everybody that has flown and supported Air Arabia.



# awards

The year 2009 saw Air Arabia receive several notable regional and global accolades for its successful business and growth.

In April, Air Arabia received the 2009 World Airline Award for "Best Low-Cost Airline in the Middle East" for the third consecutive year. This honour comes in recognition of Air Arabia's exceptional level of overall passenger satisfaction. These awards, based on global, independent passenger surveys of airline standards carried out by Skytrax Research, are the outcome of the measurement of more than 35 different aspects of customer satisfaction levels of an airline's product and service standards. As part of the World Airline Awards selection process, in excess of 4.4 million passengers, of more than 90 nationalities, were polled.

In May, the Sharjah-based LCC received the A320 Family Operational Excellence Award by Airbus based on achieving the highest level of aircraft utilisation in the world in 2008, with 99.8 per cent operational reliability. The award was presented to Air Arabia in Paris, France, during Airbus's biannual symposium of all operators of the A320 Family worldwide. This marks the fourth consecutive year that Air Arabia has maintained the lead among all global airlines operating Airbus A320 aircraft.

In yet another international recognition of Air Arabia's successful business model, the carrier was ranked first on the Top Performing Companies chart (TPC) in July as the best low-cost carrier (LCC) globally, in a study conducted by Aviation Week magazine, the largest information and services provider to the global aviation industry.

In September, Air Arabia received the IOSA registration after successfully completing the IATA Operational Safety Audit (IOSA), an internationally recognised evaluation system designed to assess the operational management and control systems of an airline.

In November, The Group Chief Executive Officer of Air Arabia, Adel Ali, has been named "Airline CEO of the Year" by Aviation Business magazine, for the second time. Adel Ali received this accolade, which recognised him as the region's top airline executive, at the Aviation Business Awards 2009.

Also in November, Air Arabia was recognised as the 'Low Cost Carrier of the Year' by both the Centre for Asia Pacific Aviation (CAPA) at the Aviation Outlook Asia 2009 congress in Beijing and at the Doha Aviation Summit 2009.

In December, the carrier received the last two awards for the year, 'Airline of the Year' by Arabian Business Magazine and 'Middle East Leading LCC' by Aviation Supply Chain Magazine.

**April 2009**  
Best Low-Cost Airline in the Middle East by Skytrax

**May 2009**  
Airbus A320 Family Operational Excellence Award

**July 2009**  
World's Best Low Cost Airline by Aviation Week

**September 2009**  
IOSA registration by IATA

**November 2009**  
Airline CEO of the Year by Aviation Business

**November 2009**  
Low Cost Carrier of the Year by CAPA

**November 2009**  
Low Cost Carrier of the Year by Doha Aviation Summit

**December 2009**  
Airline of the Year by Arabian Business

**December 2009**  
Middle East Leading LCC by Aviation Supply Chain

# air arabia group

Air Arabia (PJSC), listed on the Dubai Financial Market and traded under ticker symbol: (DFM:AIRARABIA) consists of a group of airlines and companies offering travel and tourism services across the globe. The Group started in October 2003 with the launch of Air Arabia and currently holds a portfolio of successful businesses and projects.

Air Arabia operates from two hubs in Sharjah International Airport, UAE and Mohamed V International Airport in Morocco. The company is expected to start operations from its third hub in Egypt in mid-2010.

## Air Arabia - UAE

Air Arabia took off in October 2003 as the Middle East and North Africa's first low cost carrier (LCC). Since establishment, Air Arabia revolutionized the way aviation was perceived in the Middle East 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 Europe, Middle East and Africa (EMEA) market. Air Arabia Maroc hub now reaches 12 destinations across Europe and the region.

## Air Arabia - Egypt

In September 2009, Air Arabia and Travco Group, the Middle East's largest travel and hospitality group announced today the signing of a joint venture agreement to launch a new low cost carrier based in Egypt.

The new carrier will serve Europe, Middle East and Africa (EMEA) markets and will represent Air Arabia third hub after UAE and Morocco.

Building upon Air Arabia's existing services to 57 destinations across Europe, the Middle East, Africa and Asia, the new airline will contribute to the on-going development of the Egyptian travel and tourism sector as well as offer a larger base of customers best value for money air travel.

## Air Arabia Centro Hotel

In 2007, we announced the plans to construct a budget hotel at Sharjah International Airport and signed a management agreement with Rotana Hotels, to manage this property under their innovative Centro by Rotana brand, offering affordable, superior-class accommodation and hospitality.

In July 2008, we began construction of the 306-room budget hotel and appointed Gustav Pegel & Sohn as general contractor for the hotel, which is due for completion in April 2010.

We believe that this new project will complement the low cost air travel services we offer to our customers. The property, which will include both standard rooms and suites, will also offer comfort and convenience for travellers passing through one of the region's fastest-growing airports as well as for visitors to the emirate.

## 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 employees appropriate accommodation.

The project is expected to finish by first quarter of 2010 and will offer 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. The agreement will help Air Arabia meet its own internal needs for pilots to man its expanding aviation fleet.



# history and development of air arabia

Air Arabia is the first low cost carrier (LCC) in the Middle East and North Africa region. We are the international airline of the Emirate of Sharjah and one of the officially approved national carriers of the United Arab Emirates and the Kingdom of Morocco.

The low cost model has been warmly welcomed across the region since Air Arabia introduced it in October 2003 and continues to go from strength to strength. In just six years time, low cost travel have become the preferred choice of travel to wide audience and we have been able to carry over 14 million passengers since inception.

Initially operating with two new Airbus A320 aircraft, Air Arabia's fleet in 2009 has increased to 21 (owned and leased) Airbus A320 aircraft flying to over 59 destinations from two hubs in Sharjah, UAE and Casablanca, Morocco. Air Arabia customers enjoy the benefits of quick access, fast check-in processes, low congestion, friendly airport staff, as well as access to other commercial carriers served at the Sharjah and Casablanca airports.

Air Arabia enjoys an enviable reputation for the many milestone achievements earned in the airline's first six years. Our financial break even result in our first year of operation is a ground breaking feat for any airline. Air Arabia's profitability margin has constantly growing per annum over the past five years.

The reliable and profitable record the company has achieved since inception, allowed us to take a solid and pioneer step in converting the company into a public joint stock company (PJSC) in 2007. Currently,

Air Arabia enjoys a strong base of over 35,000 local and international investors and its shares are traded on the Dubai Financial Market.

In November 2007, Air Arabia signed an agreement with Airbus for the acquisition of 34 A320 aircraft with 15 optional ones. In November 2008, the company confirmed 10 additional A320 aircraft, raising the total number on order to 44 aircraft.

Over the past six years, Air Arabia went through an aggressive expansion plan and has set a serious of partnership to man its growth. The company went into a joint venture with Sharjah Airport and establish Sharjah Aviation Services (SAS). It also set a joint venture with Alpha Aviation Group and launched a multi-million dollar international aviation academy, besides its partnership with Alpha Catering Group that resulted in establishing Alpha Catering Sharjah to enhance the quality of on-board products. Another joint venture was set with John Keells Holdings (JKH), Sri Lanka's largest conglomerate and Information System Associates (ISA) was created to cater to the technological requirements of the fast growing company.

In 2008, the company introduced Air Arabia "Maroc" - latest member of the Air Arabia family. Based at Mohamed V International Airport in Casablanca, operations from second hub in Morocco started operations in May 2009. In a span of short seven month, MAROC hub network reached 12 destinations with in Europe and the region. Operations from Maroc hub will expand Air Arabia's brand and services to reach Europe and further Africa.

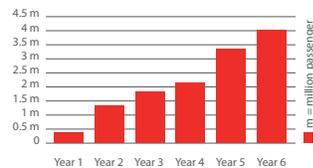
In November 2009, we have announced our will to start our third hub in Egypt. In partnership with Travco Group, Air Arabia 'EGYPT' will start operations in 2010. The new hub in Egypt will complete Air Arabia's Pan Arab network offering direct services across the Middle East, Africa, Europe and Central Asia.

Air Arabia's greatest asset is its people. The company's success is a result of efficient integration between different departments, multi-functionality of its teams and individual contributions. The company total head count reached more than a thousand employees in 2009, which reflects the growth the company is witnessing.

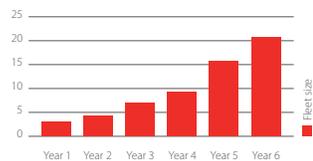
Air Arabia now stands as a vibrant and internationally recognized brand with a promising future ahead. The company's super performance in 2009 versus its global peers has granted Air Arabia the title "World's best low cost carrier 2009".

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

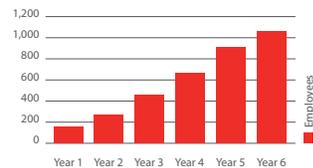
Passengers growth



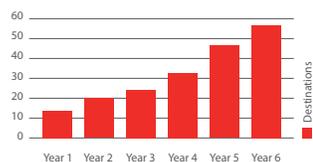
Fleet growth



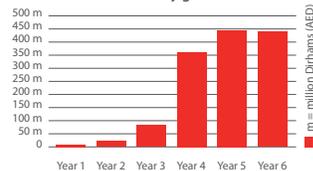
Headcount growth



Network growth



Profitability growth



# world's best low cost carrier

In yet another international recognition of Air Arabia's successful business model, the carrier was ranked first on the Top Performing Companies chart (TPC) as the best low-cost carrier (LCC) globally, in a study conducted by Aviation Week magazine, the largest information and services provider to the global aviation industry.

The 2009 study of Top Performing Companies conducted by Aviation Week ranked publicly-traded airlines that are best positioned to weather the current global recession and recent volatility in fuel prices. The study placed significant emphasis on financial fitness, and the airlines were ranked for liquidity, financial health, earnings performance, fuel cost management and asset utilisation.

The study highlighted that Arabia is a pioneer in a region that has been not only LCC-averse, but also widebody-focused. The carrier has built up a significant network flying to destinations that will not sustain legacy carriers. Air Arabia is also moving to establish franchises to extend its reach through its Maroc hub. The new hub provides Air Arabia access to a much wider European market, thanks to Morocco's liberalized aviation agreement with the European Union.

## Aviation Week list for top Ten Low-Cost / Niche Airlines

Airline	Rank
Air Arabia	1
Allegiant	2
Air Mauritius	3
Aegean Airlines	4
Copa Holdings	5
Ryan Air	6
Transat	7
Westjet Airlines	8
Easyjet	9
Southwest Airlines	10



# the pan arab airline

Derived from our vision to be one of the world's leading budget airlines, we are now in the middle of our three years plan that will allow us to expand into global reach.

In six years time, we have set efficient and reliable bases at Sharjah International Airport, UAE and Mohamed V International Airport, Morocco. Both hubs have permitted us to serve over 60 destinations across the Middle East, Africa, Europe and Central Asia. We are still aiming to complete the aggressive route network by launching our third hub in Egypt in the year 2010.

In 2007, we have strengthened our business model by privatizing the business and raising enough capital to support our growth through an Initial Public Offering. Following the IPO, we have commenced with a series of joint ventures that established the proper infrastructure to grow our business to a wider level and enter new international markets. In addition, we announced our plans for fleet increase and multi-hubs in the Arab world and therefore, providing Air Arabia with a wider platform from which to enter into the wider Europe, Middle East and Africa (EMEA) market.

In May 2009, we started operations from "Maroc" hub, and in a span of short seven months, we have launched services to 12 European cities and therefore, bringing the Air Arabia brand into the wider Europe. In November 2009, we also announced our will to introduce Air Arabia's third hub in Egypt which will enable us to offer a comprehensive network of destinations spreading across the Middle East, Africa and Europe.

With the main base at Sharjah International Airport in UAE and the new hubs in Morocco and Egypt, Air Arabia aims to become The Pan Arab Airline, offering a comprehensive route network, frequency and connectivity and hence, providing our customers with more options for a value for money air travel as well as increase the airline's profitability, securing a highest return on investment for our investors.

# 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 December 31, 2009. 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 December 31, 2009, from which the summarised consolidated financial statements were derived, in accordance with International Standards on Auditing. In our report dated February 17, 2010 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.

Sharjah  
February 17, 2010

## Consolidated Statement of Financial Position At December 31, 2009

	December 31, 2009 AED	December 31, 2008 AED
<b>Assets</b>		
<b>Current assets</b>		
Bank balances and cash	1,996,251,116	1,767,125,257
Trade and other receivables	269,642,795	241,695,553
Due from related parties	22,568,191	103,191
Inventories	5,050,932	1,562,249
<b>Total current assets</b>	<b>2,293,513,034</b>	<b>2,010,486,250</b>
<b>Non-current assets</b>		
Trade and other receivables	14,578,675	-
Available-for-sale investments	1,205,336,758	1,522,810,487
Aircraft lease deposits	35,399,653	42,438,716
Deferred charges	26,264,724	31,694,171
Investment in associates	28,790,018	-
Goodwill	189,474,216	189,474,216
Intangible assets	1,092,346,500	1,092,346,500
Investment property	50,102,083	50,852,083
Advance for new aircraft	373,805,962	257,709,990
Property and equipment	761,885,111	663,760,795
<b>Total non-current assets</b>	<b>3,777,983,700</b>	<b>3,851,086,958</b>
<b>Total Assets</b>	<b>6,071,496,734</b>	<b>5,861,573,208</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Trade and other payables	427,601,489	322,552,719
Deferred income	129,351,603	132,803,072
Due to related parties	-	8,370,662
<b>Total current liabilities</b>	<b>556,953,092</b>	<b>463,726,453</b>
<b>Non-current liabilities</b>		
Trade and other payables	23,124,241	-
Provision for employees' end of service indemnity	23,110,690	14,241,314
<b>Total non-current liabilities</b>	<b>46,234,931</b>	<b>14,241,314</b>
<b>Total Liabilities</b>	<b>603,188,023</b>	<b>477,967,767</b>
<b>Capital and reserves</b>		
Share capital	4,666,700,000	4,666,700,000
Treasury shares	-	( 42,582,203)
Statutory reserve	122,895,506	77,672,380
General reserve	122,895,506	77,672,380
Cumulative change in fair values	( 51,404,954)	( 105,882,324)
Retained earnings	607,222,653	710,025,208
<b>Retained Equity</b>	<b>5,468,308,711</b>	<b>5,383,605,441</b>
<b>Total Liabilities and Equity</b>	<b>6,071,496,734</b>	<b>5,861,573,208</b>

All the figures are in UAE Dirhams

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## Consolidated Statement of Income For the year ended December 31, 2009

	Year ended December 31, 2009 AED	Period from inception to December 31, 2008 AED
Revenue	1,971,964,782	2,065,786,197
Cost of sales	(1,613,616,514)	(1,671,571,748)
Gross profit	358,348,268	394,214,449
Selling and marketing costs	( 34,727,508)	( 37,067,198)
General and administrative expenses	( 74,496,310)	( 66,920,099)
Operating profit	249,124,450	290,227,152
Profit on bank deposits	156,266,357	163,900,358
Other income	46,840,450	55,597,813
<b>Profit for the year</b>	<b>452,231,257</b>	<b>509,725,323</b>
Basic earnings per share	0.10	0.11

## Consolidated Statement of Comprehensive Income For the Year Ended December 31, 2009

	Year ended December 31, 2009 AED	Year ended December 31, 2008 AED
Profit of the year	452,231,257	509,725,323
<b>Other Comprehensive income</b>		
Gain/(loss) on revaluation of available-for-sale investments	49,926,271	( 117,557,047)
Reclassification adjustment for losses included in profit and loss	4,551,099	6,808,088
Board of Director's remuneration – joint venture	(300,000)	-
Board of Directors' remuneration	(1,800,000)	-
<b>Total comprehensive income for the year</b>	<b>504,608,627</b>	<b>398,976,364</b>

## Consolidated Statement of Changes in Equity For the Year Ended December 31, 2009

	Share capital	Treasury shares	Statutory reserve
	AED	AED	AED
Balance at December 31, 2007	4,666,700,000	-	27,665,734
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transfer to reserves	-	-	50,006,646
Other movements	-	-	-
Treasury shares purchased	-	(42,582,203)	-
	-	(42,582,203)	50,006,646
Balance at December 31, 2008	4,666,700,000	(42,582,203)	77,672,380
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transfer to reserves	-	-	45,223,126
Dividend paid	-	-	-
Treasury shares sold	-	42,582,203	-
	-	42,582,203	45,223,126
<b>Balance at December 31, 2009</b>	<b>4,666,700,000</b>	<b>-</b>	<b>122,895,506</b>

## Consolidated Statement of Changes in Equity For the Year Ended December 31, 2009

	General Reserve	Cumulative change in fair values	Retained earnings	Total
	AED	AED	AED	
	27,665,734	4,866,635	302,579,276	5,029,477,379
	-	-	509,725,323	509,725,323
	-	(110,748,959)	-	(110,748,959)
	-	(110,748,959)	509,725,323	398,976,364
	50,006,646	-	(100,013,292)	-
	-	-	(1,754,477)	(1,754,477)
	-	-	(511,622)	(43,093,825)
	50,006,646	-	(102,279,391)	(44,848,302)
	77,672,380	(105,882,324)	710,025,208	5,383,605,441
	-	-	452,231,257	452,231,257
	-	54,477,370	(2,100,000)	52,377,370
	-	54,477,370	450,131,257	504,608,627
	45,223,126	-	(90,446,252)	-
	-	-	(466,670,000)	(466,670,000)
	-	-	4,182,440	46,764,643
	45,223,126	-	(552,933,812)	(419,905,357)
<b>Balance at December 31, 2009</b>	<b>122,895,506</b>	<b>(51,404,954)</b>	<b>607,222,653</b>	<b>5,468,308,711</b>

## Consolidated Cash Flows For the Year Ended December 31, 2009

	Year ended December 31, 2009	Year ended December 31, 2008
<b>Operating activities</b>		
Profit for the year	452,231,257	509,725,323
Adjustment for:		
Depreciation of property and equipment	40,615,254	29,036,491
Depreciation of investment property	750,000	750,000
Amortisation/impairment of deferred charges	8,848,635	6,710,800
Provision for employees' end of service indemnity	9,699,444	7,289,555
Impairment losses on available-for-sale investments	4,551,099	6,808,088
Unrealised gain on derivative financial instruments	(36,683,178)	-
Loss/(gain) on disposal of property and equipment	908,574	(76,714)
Share of net losses in associates	31,654,552	-
Allowance for doubtful debts	1,101,721	542,562
Profit on bank deposits	(156,266,357)	(163,900,358)
Dividend income	(1,197,014)	(56,435,700)
Lease income	(29,860,551)	(2,250,000)
<b>Operating cash flows before movements in working capital</b>	<b>326,353,436</b>	<b>338,200,047</b>
Increase in margin deposits	(386,897)	(417,500)
Increase in trade and other receivables	(6,944,460)	(108,228,229)
Increase in inventories	(3,488,683)	(814,542)
Increase/decrease in due from a related party	(20,675,667)	(103,191)
Decrease/(increase) in aircraft lease deposits	7,039,063	(4,769,491)
Increase in trade and other payables	121,035,020	140,524,030
(Decrease)/increase in deferred income	(3,451,469)	28,499,669
Decrease in due to related parties	(8,370,662)	(3,930,839)
<b>Cash generated from operations</b>	<b>411,109,681</b>	<b>388,959,954</b>
Employees' end of service indemnity paid	(830,068)	(786,450)
<b>Net cash from operating activities</b>	<b>410,279,613</b>	<b>388,173,504</b>
<b>Investing activities</b>		
Purchase of property and equipment	(140,934,051)	(580,624,368)
Proceeds from sale of property and equipment	1,285,907	143,329
Advance for new aircraft	(116,095,972)	(97,528,724)
Increase in deferred charges	(3,419,188)	(31,947,233)
Increase in investment in associates	(60,444,570)	-
Purchase of available-for-sale investments	-	(1,059,152,246)
Proceeds on maturity of available-for-sale investments	367,400,000	-
Decrease/(increase) in Murabaha deposits	1,126,023	(312,350,000)
Decrease/(increase) in fixed deposits	4,601,392	(1,266,988,475)
Profit on bank deposits	156,266,357	163,900,358
Lease income	29,860,551	2,250,000
<b>Net cash from/(used in) investing activities</b>	<b>239,646,449</b>	<b>(3,182,297,359)</b>

## Consolidated Cash Flows For the Year Ended December 31, 2009

...continued

	Year ended December 31, 2009	Year ended December 31, 2008
<b>Financing activities</b>		
Increase in due from a related party	(1,789,333)	-
Increase in other payables	7,137,991	-
Dividend paid by a joint venture	-	(1,754,477)
Dividend paid	(466,670,000)	-
Dividend received	1,197,014	56,435,700
Board of Directors' remuneration	(1,800,000)	-
Board of Directors' remuneration- joint venture	(300,000)	-
Treasury shares purchased	-	(43,093,825)
Treasury shares sold	46,764,643	-
<b>Cash (used in)/from financing activities</b>	<b>(415,459,685)</b>	<b>11,587,398</b>
Net (decrease)/increase in cash and cash equivalents	234,466,377	(2,782,536,457)
Cash and cash equivalents at the beginning of the year	187,369,282	2,969,905,739
<b>Cash and cash equivalents at the end of the year</b>	<b>421,835,659</b>	<b>187,369,282</b>

## Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2009

### 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 address of the Company's registered office is P.O. Box 8, Sharjah, United Arab Emirates.

The licensed activities of the Company are international commercial air transportation, aircraft trading, aircraft rental, aircraft rent, aircraft spare parts trading, travel and tourist agencies, airlines companies representative office, passengers transport, cargo services, air cargo agents, documents transfer services, telecommunications devices trading, aviation training and aircraft repairs and maintenance. To date the principal operations comprise international commercial air transportation through Air Arabia operating out of Sharjah, United Arab Emirates.

### 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 December 31, 2009.

### 3. Bank balances and cash

	December 31, 2009 AED	December 31, 2008 AED
Bank balances:		
Current accounts	49,062,694	34,743,550
Call deposits	27,108,297	45,825,500
Fixed deposits	1,422,563,551	1,372,728,961
Deposit with financial institution	184,372,500	-
Murabaha deposits	311,223,977	312,350,000
Margin deposits	804,397	417,500
	<b>1,995,135,416</b>	<b>1,766,065,511</b>
Cash on hand	1,115,700	1,059,746
	<b>1,996,251,116</b>	<b>1,767,125,257</b>
Bank balances:		
In U.A.E.	1,683,530,466	1,453,588,019
In other G.C.C. countries	311,604,950	312,477,492
	<b>1,995,135,416</b>	<b>1,766,065,511</b>

## Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2009

...continued

### 4. Available-for-sale investments

	December 31, 2009 AED	December 31, 2008 AED
Quoted	14,716,748	9,477,991
Unquoted	1,190,620,010	1,513,332,496
	<b>1,205,336,758</b>	<b>1,522,810,487</b>
In U.A.E.	329,944,512	647,418,241
In other G.C.C. countries	875,392,246	875,392,246
	<b>1,205,336,758</b>	<b>1,522,810,487</b>

#### Movement during the year :

	2009 AED	2008 AED
Balance, at the beginning of the year	1,522,810,487	581,215,288
Purchases during the year	-	1,059,152,246
Proceeds on maturity	(367,400,000)	-
Change in fair value	49,926,271	(117,557,047)
<b>Balance, at the end of the year</b>	<b>1,205,336,758</b>	<b>1,522,810,487</b>

### 5. Goodwill

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

	Amount AED
Total fair value of Air Arabia Company L.L.C. (Air Arabia)	1,400,000,000
Fair value of intangible assets	(1,092,346,500)
Fair value of tangible assets (net)	(118,179,284)
<b>At December 31, 2008 and 2009</b>	<b>189,474,216</b>

## Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2009

...continued

### 5. Goodwill (continued)

During the year 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 3 year period from 2010-2012 and a discount rate of 13% 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 impairment test performed it is unlikely that underlying goodwill will be impaired.

### 6. Intangible assets

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

	December 31, 2009 AED	December 31, 2008 AED
Trade name	395,410,000	395,410,000
Landing rights	468,273,000	468,273,000
Price benefit from related parties	180,281,000	180,281,000
Handling licence - Sharjah Aviation Services	48,382,500	48,382,500
<b>Fair value</b>	<b>1,092,346,500</b>	<b>1,092,346,500</b>

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

During the year intangible assets were also 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.

### 7. Share capital

	December 31, 2009 AED	December 31, 2008 AED
<b>Authorised and issued share capital</b>	<b>4,666,700,000</b>	<b>4,666,700,000</b>

The assets and liabilities of Air Arabia Company L.L.C. (Air Arabia) and Subsidiary, were transferred to Air Arabia P.J.S.C. (Air Arabia) as in kind contribution for 30% interest in Air Arabia P.J.S.C. (Air Arabia).

## Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2009

...continued

### 8. Revenue

An analysis of the Group's revenue is as follows:

	Year ended December 31, 2009 AED	Year ended December 31, 2008 AED
Passenger revenue	1,804,463,819	1,945,422,669
Baggage revenue	33,308,305	31,393,984
Cargo revenue	37,386,097	17,358,199
Service revenue	6,297,524	9,264,772
Catering revenue	22,656,448	20,768,595
Flight handling revenue	18,070,273	16,175,488
Cargo handling revenue	35,024,203	21,478,938
Passenger services	16,399,023	12,367,500
Training revenue	1,689,680	-
Other operating income	12,174,989	9,134,082
Sales commission and expenses	(15,505,579)	(17,578,030)
	<b>1,971,964,782</b>	<b>2,065,786,197</b>

### 9. Basic earnings per share

	Year ended December 31, 2009	Year ended December 31, 2008
Profit for the year (in AED)	452,231,257	509,725,323
Number of shares	4,666,700,000	4,666,700,000
<b>Basic earnings per share (in AED)</b>	<b>0.10</b>	<b>0.11</b>

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. Derivative financial instruments

The Group uses derivative financial instruments for risk management purpose. These derivatives are linked to the underlying commodity, they do not meet the criteria for hedge accounting as defined by IAS 39 "Financial Instruments: Recognition and measurement" and thus do not qualify for hedge accounting.

At December 31, 2009, the fair value of these derivatives are positive AED 36,683,178 which has been taken to the consolidated statement of income for the year ended December 31, 2009 with a corresponding current asset of AED 22,104,503 and non-current asset of AED 14,578,675 where contract expires after 12 months from the end of reporting date.

## Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2009

...continued

### 11. Aircraft operating lease commitments

	December 31, 2009	December 31, 2008
	AED	AED
Within one year	285,045,863	213,178,062
In the second to fifth years inclusive	813,041,734	829,846,421
After five years	65,456,131	183,180,666
	<b>1,163,543,728</b>	<b>1,226,205,149</b>

### 12. Contingent liabilities

	December 31, 2009	December 31, 2008
	AED	AED
Letters of credit	60,569,903	51,398,363
Letters of guarantee	15,505,733	14,878,520

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

### 13. Capital commitments

The Group has entered into the following capital commitments:

	December 31,	
	2009	2008
	AED	AED
<b>Authorised and contracted:</b>		
Aircraft fleet	12,627,095,247	12,983,698,777
Investment in an associate	44,070,800	-
Hotel project	114,824,104	186,509,880
Apartment and others	24,196,919	42,934,602
	<b>12,810,187,070</b>	<b>13,213,143,259</b>
<b>Authorised but not contracted:</b>		
Simulator project	30,802,975	-
Aircraft fleet	1,422,807,191	1,422,807,191
	<b>1,453,610,166</b>	<b>1,422,807,191</b>

## Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2009

...continued

### 13. Capital commitments

(continued)

#### 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 during the year, the Group has exercised the option of purchasing 10 aircraft. The total value of the 44 aircraft order was approximately USD 3.6 billion (AED: 13 billion) (December 31, 2008: 44 aircrafts, USD 3.6 billion (AED 13 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 44 aircraft is payable over the next five years, with the balance being due on delivery.

### 14. PROPOSED DIVIDENDS

During 2009, a dividend of AED 10 fils (2008: Nil) per share was paid to the Shareholders.

The directors propose that a dividend of AED 466,670,000, AED 10 fils per share (2008: AED 466,670,000, AED 10 fils per share) will be paid to the Shareholders in 2010. This dividend is subject to approval by the Shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

It has also been proposed that the Board of Directors' remuneration for the year be AED 1,925,000 (2008: AED 1,800,000). The remuneration of directors is subject to approval by the Shareholders and as per limits set by the Commercial Companies Law No. 8 of 1984, as amended.

All the figures are in UAE Dirhams

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