

**AIR ARABIA P.J.S.C. (AIR ARABIA)
AND SUBSIDIARIES
SHARJAH - UNITED ARAB EMIRATES**

**CONSOLIDATED INTERIM FINANCIAL
INFORMATION AND REVIEW REPORT
FOR THE NINE MONTH PERIOD
ENDED SEPTEMBER 30, 2010**

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah - United Arab Emirates

Consolidated Interim Financial Information and Review Report
For the Nine Month Period Ended September 30, 2010

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Ref: 10341FS10-Sept

Report on Review of Consolidated Interim Financial Information

**The Board of Directors
Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah - United Arab Emirates**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Air Arabia P.J.S.C. (Air Arabia) (the "Company") and Subsidiaries (together the "Group")**, Sharjah, United Arab Emirates, as of September 30, 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

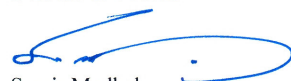
Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

Deloitte & Touche



Samir Madbak
Registration No. 386
Sharjah
November 10, 2010

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah - United Arab Emirates
Condensed Consolidated Statement of Financial Position
At September 30, 2010
(In Thousand Arab Emirates Dirhams)

	Notes	September 30, 2010 Unaudited	December 31, 2009 Audited
ASSETS			
Current assets			
Bank balances and cash	4	2,167,095	1,996,251
Trade and other receivables		217,043	269,643
Due from related parties		35,201	22,568
Inventories		6,011	5,051
Total current assets		2,425,350	2,293,513
Non-current assets			
Trade and other receivables		15,991	14,579
Available-for-sale investments	5	655,040	1,205,337
Aircraft lease deposits		31,142	35,400
Deferred charges		20,725	26,265
Investment in associates	6	13,238	28,790
Goodwill		189,474	189,474
Intangible assets		1,092,347	1,092,347
Investment property	7	49,540	50,102
Advance for new aircraft		614,842	373,806
Property and equipment		846,681	761,885
Total non-current assets		3,529,020	3,777,985
Total Assets		5,954,370	6,071,498
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		469,351	427,601
Deferred income		138,574	129,352
Due to related parties		1,221	-
Total current liabilities		609,146	556,953
Non-current liabilities			
Trade and other payables		25,987	23,124
Provision for employees' end of service indemnity		27,703	23,111
Total non-current liabilities		53,690	46,235
Total Liabilities		662,836	603,188
Capital and reserves			
Share capital	8	4,666,700	4,666,700
Statutory reserve	9	122,896	122,896
General reserve	10	122,896	122,896
Cumulative change in fair values		2,091	(51,405)
Retained earnings		372,150	607,223
Equity attributable to Owners of the parent		5,286,733	5,468,310
Non-controlling interest		4,801	-
Total Equity		5,291,534	5,468,310
Total Liabilities and Equity		5,954,370	6,071,498

The accompanying notes form an integral part of these condensed consolidated financial statements.

Chairman

Chief Executive Officer

Director of Finance

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah - United Arab Emirates

Condensed Consolidated Statement of Income
For the Nine Month Period Ended September 30, 2010
(In Thousand Arab Emirates Dirhams)

	<u>Notes</u>	<u>Nine month period ended</u> <u>September 30,</u>		<u>Three month period ended</u> <u>September 30,</u>	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
		<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Revenue		1,535,482	1,469,179	568,078	547,527
Cost of sales		(1,326,561)	(1,171,126)	(447,419)	(410,074)
Gross profit		208,921	298,053	120,659	137,453
Selling and marketing expenses		(27,139)	(27,988)	(8,745)	(6,668)
General and administrative expenses		(57,594)	(56,123)	(23,241)	(23,486)
Profit on fixed deposits and others		117,087	121,749	26,975	37,311
Other (expenses)/income	11	(5,402)	862	20,558	(1,101)
Profit for the period		235,873	336,553	136,206	143,509
		=====	=====	=====	=====
Attributable to:					
Owners of parent		233,522	336,553	135,166	143,509
Non-controlling interest		2,351	-	1,040	-
		235,873	336,553	136,206	143,509
		=====	=====	=====	=====
Basic earnings per share (in AED)	12	0.05	0.07	0.03	0.03
		=====	=====	=====	=====

The accompanying notes form an integral part of these condensed consolidated financial statements.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah - United Arab Emirates

Condensed Consolidated Statement of Comprehensive Income
For the nine month period ended September 30, 2010
(In Thousand Arab Emirates Dirhams)

	Nine month period ended September 30,		Three month period ended September 30,	
	2010	2009	2010	2009
	Unaudited	Unaudited	Unaudited	Unaudited
Profit for the period	235,873	336,553	136,206	143,509
Other comprehensive income				
Gain on revaluation of available-for- sale investments	53,134	54,106	10,670	28,806
Transfer to statement of income on sale of available-for-sale investments	362	-	67	-
Board of Directors' remuneration	(1,925)	(1,800)	-	-
Total comprehensive income for the period	287,444	388,859	146,943	172,315
	=====	=====	=====	=====
Attributable to:				
Owners of the parent	285,093	388,859	145,903	172,315
Non-controlling interest	2,351	-	1,040	-
	<u>287,444</u>	<u>388,859</u>	<u>146,943</u>	<u>172,315</u>
	=====	=====	=====	=====

The accompanying notes form an integral part of these condensed consolidated financial statements.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Condensed Consolidated Statement of Changes in Equity
For the nine month period ended September 30, 2010
(In Thousand Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Cumulative change in fair values</u>	<u>Retained earnings</u>	<u>Attributable to Owners of the parent</u>	<u>Non-controlling interest</u>	<u>Total</u>
Balance at December 31, 2008 (Audited)	4,666,700	(42,582)	77,672	77,672	(105,882)	710,025	5,383,605	-	5,383,605
Profit for the period	-	-	-	-	-	336,553	336,553	-	336,553
Other comprehensive income for the period	-	-	-	-	54,106	(1,800)	52,306	-	52,306
Total comprehensive income for the period	-	-	-	-	54,106	334,753	388,859	-	388,859
Dividend (see Note 13)	-	-	-	-	-	(466,670)	(466,670)	-	(466,670)
Treasury shares sold	-	42,582	-	-	-	4,183	46,765	-	46,765
	-	42,582	-	-	-	(462,487)	(419,905)	-	(419,905)
Balance at September 30, 2009 (Unaudited)	4,666,700	-	77,672	77,672	(51,776)	582,291	5,352,559	-	5,352,559
Balance at December 31, 2009 (Audited)	4,666,700	-	122,896	122,896	(51,405)	607,223	5,468,310	-	5,468,310
Profit for the period	-	-	-	-	-	233,522	233,522	2,351	235,873
Other comprehensive income for the period	-	-	-	-	53,496	(1,925)	51,571	-	51,571
Total comprehensive income for the period	-	-	-	-	53,496	231,597	285,093	2,351	287,444
Increase in non-controlling interest	-	-	-	-	-	-	-	2,450	2,450
Dividend (see Note 13)	-	-	-	-	-	(466,670)	(466,670)	-	(466,670)
	-	-	-	-	-	(466,670)	(466,670)	2,450	(464,220)
Balance at September 30, 2010 (Unaudited)	4,666,700	-	122,896	122,896	2,091	372,150	5,286,733	4,801	5,291,534

The accompanying notes form an integral part of these condensed consolidated financial statements.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Condensed Consolidated Statement of Cash Flows
For the nine month period ended September 30, 2010
(In Thousand Arab Emirates Dirhams)

	Nine month period ended	
	September 30	
	2010	2009
	Unaudited	Unaudited
Operating activities		
Profit for the period	235,873	336,553
Adjustment for:		
Depreciation of property and equipment - net	31,186	29,621
Depreciation of investment property	562	563
Amortisation of deferred charges - net	7,128	6,598
Dividend income	(215)	(1,197)
Share of net losses in associates	24,702	10,321
Unrealised gain on derivative financial instruments	(13,261)	-
Loss on sale of available-for-sale investments	542	-
Profit on bank deposits	(117,087)	(121,749)
Rental income	(2,475)	(1,688)
Operating cash flows before movements in working capital	166,955	259,022
Decrease/(increase) in margin deposits	804	(30)
Decrease/(increase) in trade and other receivables	64,449	(35,014)
Increase in due from related parties	(12,633)	(35,053)
Increase in inventories	(960)	(3,078)
Decrease in aircraft lease deposits	4,258	2,776
Increase in trade and other payables	44,613	99,396
Increase/(decrease) in deferred income	9,222	(6,980)
Increase/(decrease) in due to related parties	1,221	(3,494)
Cash generated from operations	277,929	277,545
Net movement in employees' end of service indemnity	4,592	6,050
Net cash from operating activities	282,521	283,595

The accompanying notes form an integral part of these condensed consolidated financial statements.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Condensed Consolidated Statement of Cash Flows (continued)
For the nine month period ended September 30, 2010
(In Thousand Arab Emirates Dirhams)

	Nine month period ended	
	September 30	
	2010	2009
	Unaudited	Unaudited
Cash flows from investing activities		
Purchase of property and equipment - net	(115,982)	(101,932)
Purchase of available-for-sale investments	(87,932)	-
Proceeds on disposal of available-for-sale investments	719,623	-
Decrease in fixed and Murabaha deposits	243,637	516,484
Increase in deferred charges - net	(1,588)	(3,297)
Advance for new aircrafts	(241,036)	(56,921)
Dividend received	215	1,197
Profit on bank deposits	88,647	121,749
Rental income	2,475	1,688
Increase in associates	(9,150)	(21,337)
Net cash generated from investing activities	598,909	457,631
Cash flows from financing activities		
Treasury shares sold	-	46,765
Dividend paid	(466,670)	(466,670)
Increase in non-controlling interest	2,450	-
Board of Director's remuneration paid	(1,925)	(1,800)
Net cash used in financing activities	(466,145)	(421,705)
Net increase in cash and cash equivalents	415,285	319,521
Cash and cash equivalents at the beginning of the period	421,836	187,369
Cash and cash equivalents at the end of the period (see Note 14)	837,121	506,890

The accompanying notes form an integral part of these condensed consolidated financial statements.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries

Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements

For the nine month period ended September 30, 2010

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 (see Note 3). 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, air cargo agents, cargo services, 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. Standards and Interpretations in issue not yet effective and not early adopted

At the date of authorisation of the condensed consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
• IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue	February 1, 2010
• IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	January 1, 2011
• IFRS 9 <i>Financial Instruments: Classification and Measurement</i> (intended as complete replacement for IAS 39 and IFRS 7)	January 1, 2013

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the Nine month period ended September 30, 2010

2. Standards and Interpretations in issue not yet effective and not early adopted (continued)

New Interpretations and amendments to Interpretations:

	Effective for annual periods beginning on or after
• IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	July 1, 2010
• Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i>	January 1, 2011

Management anticipates that these amendments will be adopted in the Group's condensed consolidated financial statements for the initial period when they become effective. Management have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard No. 34 - *Interim Financial Reporting* issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

These condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) (in thousands) since that is the currency in which the majority of the Group's transactions are denominated.

These condensed consolidated financial statements are prepared in accordance with the historical cost basis, except for the revaluation of financial instruments.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended December 31, 2009.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended December 31, 2009. In addition, results for the nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2010.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the nine month period ended September 30, 2010

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

The accounting policies in respect of available-for-sale (AFS) investments, investment property and property and equipment disclosed in the annual audited consolidated financial statements are stated below as required by Securities and Commodities Authority notification dated October 12, 2008:

3.2 AFS financial assets

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has other investments that are not traded in an active market but are also classified as AFS financial assets and stated at fair value because management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative change in fair values with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair values is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

3.3 Investment property

Investment property is accounted under the cost model of IAS 40. Investment property is stated at cost less accumulated depreciation and any identified impairment loss. Depreciation is charged so as to write off the cost of investment property, other than land, over the estimated useful lives of 20 years, using the straight-line method. Value of land granted by the Government of Sharjah on which investment property is constructed is valued by an external consultant.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the nine month period ended September 30, 2010

3. Summary of significant accounting policies (continued)

3.4 Property and equipment

Land granted by the Government of Sharjah is not depreciated, as it is deemed to have an infinite life.

Capital work-in-progress is stated at cost less any identified impairment losses.

Other property and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than land and capital work-in-progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each period end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 Basis of consolidation

These condensed consolidated financial statements of Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries (the “Group”) incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiaries

Details of the Company’s subsidiaries at September 30, 2010 are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest</u>	<u>Proportion of voting power held</u>	<u>Principal activity</u>
Red Marketing Communications (FZE)	Sharjah Airport International Free Zone, U.A.E.	100%	100%	Providing marketing, advertisement agency and communication services.
COZMO Travel L.L.C.	Sharjah, U.A.E.	51%	51%	Travel, travel and tours, tourism and cargo services.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the nine month period ended September 30, 2010

4. Bank balances and cash

	September 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Bank balances:		
Current accounts	72,118	49,063
Call deposits	33,660	27,108
Fixed deposits	1,748,266	1,422,564
Deposit with financial institution	-	184,372
Murabaha deposits	311,224	311,224
Margin deposits	-	804
	<u>2,165,268</u>	<u>1,995,135</u>
Cash on hand	<u>1,827</u>	<u>1,116</u>
	<u>2,167,095</u>	<u>1,996,251</u>
	=====	=====
Bank balances:		
In U.A.E.	1,851,538	1,683,530
In other G.C.C. countries	<u>313,730</u>	<u>311,605</u>
	<u>2,165,268</u>	<u>1,995,135</u>
	=====	=====

Margin deposits are held by a bank against letters of guarantee.

5. Available-for-sale investments

	September 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Quoted	12,617	14,717
Unquoted	<u>642,423</u>	<u>1,190,620</u>
	<u>655,040</u>	<u>1,205,337</u>
	=====	=====
In U.A.E.	380,844	329,945
In other G.C.C. countries	<u>274,196</u>	<u>875,392</u>
	<u>655,040</u>	<u>1,205,337</u>
	=====	=====

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the nine month period ended September 30, 2010

6. Investment in associates

Details of the Group's associates at the reporting date are as follows:

<u>Name of associate</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest</u>	<u>Proportion of voting power held</u>	<u>Principal activities</u>
Air Arabia Maroc, S.A.	Morocco	29%	29%	International commercial air transportation.
Air Arabia – Egypt Company (S.A.E.)	Cairo, Egypt	50%	50%	International commercial air transportation.

7. Investment property

Investment property comprises a building constructed by the Group on a plot of land, adjacent to Sharjah International Airport, granted by the Government of Sharjah.

8. Share capital

	September 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Authorised and issued share capital (4,666,700,000 shares of AED 1 each)	4,666,700	4,666,700
	=====	=====

9. Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 8 of 1984, as amended and the Company's Articles of Association, 10% of net profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. No transfers have been made during the nine months period ended September 30, 2010, as this will be based on the results for the year. The reserve is not available for distribution except in the circumstances stipulated by the law.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the nine month period ended September 30, 2010

10. General reserve

In accordance with the Company's Articles of association, an amount equal to 10% of profit for the year is transferred to a general reserve. Transfers to this reserve shall stop by resolution of an Ordinary General Assembly upon recommendation by the Board of Directors or when this reserve reaches 50% of the paid up capital of the Company. This reserve shall be utilised for the purposes determined by the General Assembly at an ordinary meeting upon recommendation by the Board of Directors. No transfers have been made to the general reserve during the nine months period ended September 30, 2010.

11. Other (expenses)/income

Other (expenses)/income includes share of losses from investment in associates.

12. Basic earnings per share

	Nine month period ended September 30,		Three month period ended September 30,	
	2010	2009	2010	2009
	Unaudited	Unaudited	Unaudited	Unaudited
Profit for the period (in AED)	233,522	336,553	135,166	143,509
	=====	=====	=====	=====
Number of shares (in '000)	4,666,700	4,666,700	4,666,700	4,666,700
	=====	=====	=====	=====
Basic earnings per share (in AED)	0.05	0.07	0.03	0.03
	=====	=====	=====	=====

13. Dividend

At the Annual General Meeting held on March 23, 2010, the shareholders approved a cash dividend of 10% amounting to AED 466,670 thousand for 2009 (2008: cash dividend of 10% amounting to AED 466,670 thousand).

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the nine month period ended September 30, 2010

14. Cash and cash equivalents

	September 30,	
	2010	2009
	Unaudited	Unaudited
	AED	AED
Bank balances and cash	2,167,095	1,570,192
Fixed deposits with maturity over 3 months	(1,018,750)	(1,062,854)
Murabaha deposits	(311,224)	-
Margin deposits	-	(448)
	837,121	506,890
	=====	=====

15. Operating aircraft lease commitments

a) Where the Group is a lessee:

	September 30,	December 31,
	2010	2009
	Unaudited	Audited
	AED '000	AED '000
Within one year	288,056	285,046
In the second to fifth years inclusive	657,758	813,042
After five years	14,116	65,456
	959,930	1,163,544
	=====	=====

b) Where the Group is a lessor:

	September 30,	December 31,
	2010	2009
	Unaudited	Audited
	AED '000	AED '000
Within one year	69,657	44,184
In the second to fifth years inclusive	169,875	145,629
	239,532	189,813
	=====	=====

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the nine month period ended September 30, 2010

16. Contingent liabilities

	September 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Letters of credit	74,636	60,570
Letters of guarantee	16,231	15,506

Letters of credit mainly comprise undertaking provided to aircraft lessors in lieu of making lease deposits.

17. Capital commitments

The Group has entered into the following capital commitments:

	September 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Authorised and contracted:		
Aircraft fleet	12,535,594	12,627,095
Investment in an associate	34,921	44,071
Hotel project	33,429	114,824
Simulator project	20,902	-
Apartment and others	65,591	24,197
	12,690,437	12,810,187
	=====	=====
Authorised but not contracted:		
Simulator project	-	30,803
Aircraft fleet	1,422,807	1,422,807
	1,422,807	1,453,610
	=====	=====

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 44 aircraft order was approximately USD 3.5 billion (AED: 12.7 billion) (December 31, 2009: 44 aircrafts, USD 3.6 billion (AED 13.2 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.

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18. Segment information

Primary reporting format – business segments

Nine month period ended September 30, 2010	<u>Airline</u> Unaudited AED '000	<u>Other segments</u> Unaudited AED '000	<u>Eliminations</u> Unaudited AED '000	<u>Total</u> Unaudited AED '000
Revenue				
External sales	1,453,788	-	-	1,453,788
Inter-segment sales	-	9,704	(8,671)	1,033
	<u>1,453,788</u>	<u>9,704</u>	<u>(8,671)</u>	<u>1,454,821</u>
	=====	=====	=====	=====
Result				
Segment result	116,578	4,725	-	121,303
Share of losses in associates	-	-	-	(24,702)
Share of profit in joint ventures	-	-	-	18,384
Unrealised gain on derivative financial instruments	-	-	-	13,261
Profit from bank deposits and other income	-	-	-	107,627
	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,873</u>
Profit for the period				=====
Other information				
Additions to property and equipment and deferred charges	115,429	1,728	-	117,157
Depreciation and amortisation	34,032	278	-	34,310
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
September 30, 2010				
Assets				
Segment assets	<u>3,142,860</u>	<u>26,173</u>	<u>(7,292)</u>	3,161,741
Unallocated Group assets				<u>2,792,629</u>
Total Assets				5,954,370
				=====
Liabilities				
Segment liabilities	<u>621,424</u>	<u>13,337</u>	<u>(7,292)</u>	627,469
Unallocated Group liabilities				<u>35,367</u>
Total Liabilities				662,836
				=====

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18. Segment information (continued)

Primary reporting format - business segments (continued)

Nine month period ended September 30, 2009	Airline	Other segments	Eliminations	Total
	Unaudited AED '000	Unaudited AED '000	Unaudited AED '000	Unaudited AED '000
Revenue				
External sales	1,393,586	-	-	1,393,586
	=====	=====	=====	=====
Result				
Segment result	202,180	72	-	202,252
Share of profit in joint ventures	-	-	-	20,065
Share of results in associate	-	-	-	(10,321)
Profit from bank deposits and other income	-	-	-	124,557
Profit for the period				336,553
				=====
Other information				
Additions to property and equipment and deferred charges	94,307	-	-	94,307
Depreciation and amortisation	34,472	47	-	34,519
	=====	=====	=====	=====
December 31, 2009 - (Audited)				
Assets				
Segment assets	2,797,800	3,284	(3,109)	2,797,975
Unallocated Group assets				3,273,523
Total Assets				6,071,498
				=====
Liabilities				
Segment liabilities	568,362	173	(3,109)	565,426
Unallocated Group liabilities				37,762
Total Liabilities				603,188
				=====

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 to the annual audited financial statements. Segment revenue does not include the Group's share of external revenue of joint ventures, amounting to AED 72,596 thousand (nine month period ended September 30, 2009: AED 75,594 thousand), as the share of their results have been disclosed separately as unallocated under segment result. Segment result represents the profit earned by each segment without considering unallocated costs, shares of profits in joint ventures, share of losses in associates, profit from bank deposits, unrealised gain on fuel derivatives and other income. Segment assets do not include fixed deposits, Murabaha deposits, available-for-sale investments, derivative financial instruments and the Group's share of assets in joint ventures and associates. Goodwill and intangible assets have been allocated to Airline segment. Segment liabilities do not include Group's share of liabilities in joint ventures.

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19. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on November 10, 2010.