

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

**Review report and consolidated interim
financial information for the period
from 1 January 2011 to 30 September 2011**

AIR ARABIA P.J.S.C. (AIR ARABIA) AND SUBSIDIARIES

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REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

**The Board of Directors
Air Arabia P.J.S.C. (Air Arabia)
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 its Subsidiaries (together the "Group")**, Sharjah, United Arab Emirates, as at 30 September 2011 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 (M.E.)

Samir Madbak
Registration No. 386
1 November 2011

Condensed consolidated statement of financial position
At 30 September 2011

	Notes	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
ASSETS			
Non-current assets			
Property and equipment		2,138,201	1,195,499
Advance for new aircraft		700,809	593,213
Investment property	4	48,790	49,352
Intangible assets		1,092,347	1,092,347
Goodwill		189,474	189,474
Deferred charges		12,735	18,042
Aircraft lease deposits		34,216	34,216
Available-for-sale investments	5	742,669	756,395
Trade and other receivables		174,657	15,395
Total non-current assets		5,133,898	3,943,933
Current assets			
Inventories		8,532	6,437
Due from related parties		91,786	28,435
Trade and other receivables		359,316	546,630
Bank balances and cash	6	1,291,071	1,844,563
Total current assets		1,750,705	2,426,065
Total assets		6,884,603	6,369,998

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

Condensed consolidated statement of financial position
At 30 September 2011 (continued)

	Notes	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	4,666,700	4,666,700
Statutory reserve		153,475	153,475
General reserve		153,475	153,475
Cumulative change in fair values		(186)	13,800
Retained earnings		199,613	383,259
Attributable to equity holders of the parent company		5,173,077	5,370,709
Non-controlling interests		7,284	6,220
Total equity		5,180,361	5,376,929
Non-current liabilities			
Provision for employees' end of service indemnity		35,030	29,273
Trade and other payables		29,857	30,104
Murabaha payable	8	63,875	-
Finance lease liabilities	9	652,734	214,303
Deferred income		28,829	-
Total non-current liabilities		810,325	273,680
Current liabilities			
Due to related parties		15,980	13,348
Deferred income		157,211	148,560
Trade and other payables		636,355	541,396
Murabaha payable	8	32,723	-
Finance lease liabilities	9	51,648	16,085
Total current liabilities		893,917	719,389
Total liabilities		1,704,242	993,069
Total equity and liabilities		6,884,603	6,369,998



Chairman



Chief Executive Officer



Director of Finance

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

Condensed consolidated statement of income (unaudited)
for the period from 1 January 2011 to 30 September 2011

	Notes	Three month period ended 30 September		Nine month period ended 30 September	
		2011 AED'000	2010 AED '000	2011 AED '000	2010 AED '000
Revenue		690,824	568,078	1,796,270	1,535,482
Cost of sales		(540,777)	(455,570)	(1,543,725)	(1,326,561)
Gross profit		150,047	112,508	252,545	208,921
Selling and marketing expenses		(6,766)	(8,745)	(22,501)	(27,139)
General administrative expenses		(22,808)	(23,241)	(76,747)	(57,594)
Finance costs		(6,078)	-	(13,668)	-
Profit on bank deposits		10,610	26,975	42,229	117,087
Other (expenses)/income	10	(24,775)	28,709	13,271	(5,402)
Profit for the period		100,230	136,206	195,129	235,873
Attributable to:					
Equity holders of the parent company		99,303	135,166	191,615	233,522
Non-controlling interests		927	1,040	3,514	2,351
		100,230	136,206	195,129	235,873
Basic earnings per share (in AED)	11	0.02	0.03	0.04	0.05

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the period from 1 January 2011 to 30 September 2011**

	Three month period ended 30 September		Nine month period ended 30 September	
	2011	2010	2011	2010
	AED '000	AED '000	AED '000	AED '000
Profit for the period	100,230	136,206	195,129	235,873
Other comprehensive (loss)/income				
Net (loss)/gain on revaluation of available-for-sale investments	(25,300)	10,670	(13,986)	53,134
Transfer to statement of income on sale of available-for-sale investments	-	67	-	362
Board of Directors' remuneration	-	-	(1,925)	(1,925)
Other comprehensive (loss)/income for the period	(25,300)	10,737	(15,911)	51,571
Total comprehensive income for the period	74,930	146,943	179,218	287,444
Attributable to:				
Equity holders of the parent company	74,003	145,903	175,704	285,093
Non-controlling interests	927	1,040	3,514	2,351
	74,930	146,943	179,218	287,444

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

AIR ARABIA P.J.S.C. (AIR ARABIA) AND SUBSIDIARIES
**Condensed consolidated statement of changes in equity
for the period from 1 January 2011 to 30 September 2011**

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Cumulative change in fair values AED '000	Retained earnings AED '000	Attributable to equity holders of the parent AED '000	Non- controlling interests AED '000	Total AED '000
Balance at 31 December 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 interests	-	-	-	-	-	-	2,450	2,450
Dividend (see Note 12)	-	-	-	-	(466,670)	(466,670)	-	(466,670)
	-	-	-	-	(466,670)	(466,670)	2,450	(464,220)
Balance at 30 September 2010 (unaudited)	4,666,700	122,896	122,896	2,091	372,150	5,286,733	4,801	5,291,534
Balance at 31 December 2010 (audited)	4,666,700	153,475	153,475	13,800	383,259	5,370,709	6,220	5,376,929
Profit for the period	-	-	-	-	191,615	191,615	3,514	195,129
Other comprehensive loss for the period	-	-	-	(13,986)	(1,925)	(15,911)	-	(15,911)
Total comprehensive income for the period	-	-	-	(13,986)	189,690	175,704	3,514	179,218
Dividend (see Note 12)	-	-	-	-	(373,336)	(373,336)	(2,450)	(375,786)
Balance at 30 September 2011 (unaudited)	4,666,700	153,475	153,475	(186)	199,613	5,173,077	7,284	5,180,361

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

**Condensed consolidated statement of cash flows (unaudited)
for the period from 1 January 2011 to 30 September 2011**

	Nine month period ended 30 September	
	2011	2010
	AED '000	AED '000
Cash flows from operating activities		
Profit for the period	195,129	235,873
Adjustment for:		
Depreciation of property and equipment – net	70,912	31,186
Depreciation of investment property	562	562
Amortisation of deferred charges	5,548	7,128
Dividend income	-	(215)
Share of net losses in associates	5,801	24,702
Unrealised loss/(gain) on derivative financial instruments	20,925	(13,261)
Loss on disposal of available-for-sale investments	-	542
Profit on bank deposits	(42,229)	(117,087)
Rental income	(4,685)	(2,475)
Finance costs	13,668	-
Operating cash flows before changes in operating assets and liabilities	265,631	166,955
(Increase)/decrease in margin deposits	(338)	804
(Increase)/decrease in trade and other receivables	(141,660)	64,449
Increase in inventories	(2,095)	(960)
Increase in due from related parties	(63,351)	(12,633)
Increase in trade and other payables	94,959	41,750
(Decrease)/increase in deferred income	(5,107)	9,222
Increase in due to related parties	2,632	1,221
Decrease in aircraft lease deposits	-	4,258
Cash generated from operating activities	150,671	275,066
Net movement in employees' end of service benefits	5,757	4,592
Interest paid	(13,668)	-
Net cash from operating activities	142,760	279,658

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

**Condensed consolidated statement of cash flows (unaudited)
for the period from 1 January 2011 to 30 September 2011 (continued)**

	Nine month period ended 30 September	
	2011	2010
	AED '000	AED '000
Cash flows from investing activities		
Purchase of property and equipment - net	(80,043)	(115,982)
Purchase of available-for-sale investments	(260)	(87,932)
Proceeds on disposal of available-for-sale investments	-	719,623
(Increase)/decrease in fixed deposits	(87,513)	243,637
Increase in deferred charges - net	(241)	(1,588)
Increase in advance for new aircraft	(229,729)	(241,036)
Dividend received	-	215
Profit on bank deposits received	42,229	88,647
Rental income	4,685	2,475
Payments for investment in associates	(5,801)	(9,150)
Net cash (used in)/generated from investing activities	(356,673)	598,909
Cash flows from financing activities		
Dividend paid to subsidiary	(2,450)	-
Dividend paid	(373,336)	(466,670)
(Decrease)/increase in other payables	(247)	2,863
Repayment of Murabahah payable	(32,028)	-
Repayment of finance lease liabilities	(17,444)	-
Increase in non-controlling interest	-	2,450
Board of Director's remuneration paid	(1,925)	(1,925)
Net cash used in financing activities	(427,430)	(463,282)
Net (decrease)/increase in cash and cash equivalents	(641,343)	415,285
Cash and cash equivalents at the beginning of the period	838,529	421,836
Cash and cash equivalents at the end of the period (Note 13)	197,186	837,121
	=====	=====

Following transactions for the nine month period ended 30 September 2011 are not reflected in the condensed consolidated statement of cash flows as those are non-cash transactions.

- Advance paid for purchase of aircraft amounting to AED 122,133 thousand has been adjusted with the purchase of four aircraft.
- Obligations under finance lease liabilities against four aircraft obtained during the period amounting to AED 491,438 thousand.

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

**Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 30 September 2011**

1. General information

Air Arabia P.J.S.C. (Air Arabia) - Sharjah (the “Company”) was incorporated on June 19, 2007 as a Public Joint Stock Company in accordance with UAE Federal Law No. 8 of 1984 (as amended). The Company operates in the United Arab Emirates under a trade license issued by the Economic Development Department of the Government of Sharjah and Air Operator's Certificate Number AC 2 issued by the General Civil Aviation Authority, United Arab Emirates. The “Group” comprises Air Arabia P.J.S.C. (Air Arabia) and its Subsidiaries (Note 3).

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

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

The licensed activities of the Company 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.

During the period, the Group acquired a hotel property in the U.A.E. valued at AED 320 million and to facilitate this transaction obtained a Murabahah liability (note 8). The resultant gain arising out of this receivable swapping transaction will be recognised as and when payments against receivable which arose on account of the above transaction is collected.

2. New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> : relating to grouping items recognised in other comprehensive income.	1 July 2012
Deferred Tax: Recovery of Underlying Assets – <i>Amendments to IAS 12: Income Taxes</i>	1 January 2012
IAS 19 <i>Employee Benefits</i> (revised 2011)	1 January 2013
IAS 27 <i>Separate Financial Statements</i> (revised in 2011)	1 January 2013
IAS 28 <i>Investments in Associates and Joint Ventures</i> (revised in 2011)	1 January 2013
Amendments to IFRS 1: <i>Removal of Fixed Dates for First-Time Adopter</i>	1 July 2011
Amendments to IFRS 1: <i>Severe Hyperinflation</i>	1 July 2011

**Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 30 September 2011 (continued)**

2. New and revised IFRSs in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> , relating to Disclosures on Transfers of Financial Assets	1 July 2011
IFRS 9 <i>Financial Instruments</i> (as amended in 2010)	1 January 2013
IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
IFRS 11 <i>Joint Arrangements</i>	1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
IFRS 13 <i>Fair Value Measurement</i>	1 January 2013

Management anticipates that these amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2012 or as and when they are applicable and adoption of these standards and interpretations may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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 (IAS) No. 34 – “*Interim Financial Reporting*” 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 31 December 2010.

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 31 December 2010. In addition, results for the nine month period ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

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 12 October 2008:

**Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 30 September 2011 (continued)**

3. Summary of significant accounting policies (continued)

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 properties, which are property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are stated at cost less accumulated depreciation and any identified impairment losses. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property.

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 was valued by an external consultant.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the period of retirement or disposal.

3.4 Property and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

**Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 30 September 2011 (continued)**

3. Summary of significant accounting policies (continued)

3.4 Property and equipment (continued)

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any 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.

The useful lives considered in the calculation of depreciation for the assets are as follows:

	Years
Aircraft	15
Aircraft engines	20
Aircraft rotables and equipment	3 - 10
Airport equipments and vehicles	3 - 15
Apartments and hotel properties	10 - 20
Other property and equipment	3 - 7

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 30 September 2011 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.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 30 September 2011 (continued)**

4. 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.

5. Available-for-sale investments

	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Quoted	7,935	11,003
Unquoted	734,734	745,392
	742,669	756,395
In U.A.E.	375,354	389,080
In other G.C.C. countries	367,315	367,315
	742,669	756,395

6. Bank balances and cash

	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Bank balances:		
Current accounts	66,497	51,913
Call deposits	28,472	31,242
Fixed deposits	1,192,486	1,758,542
Margin deposits	1,738	1,400
Total bank balances	1,289,193	1,843,097
Cash on hand	1,878	1,466
Total bank balances and cash	1,291,071	1,844,563
Bank balances:		
In U.A.E.	1,277,002	1,839,800
In other G.C.C. countries	12,191	3,297
Total bank balances	1,289,193	1,843,097

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

**Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 30 September 2011 (continued)**

7. Share capital

	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Authorised and issued share capital (of 4,666,700 thousand shares of AED 1 each)	4,666,700	4,666,700

8. Murabaha payable

The Group has entered into a Murabaha agreement with a bank to finance the purchase of a hotel property in U.A.E. The Murabaha is secured by mortgage of the hotel property along with endorsement of insurance policy and assignment over revenues earned from this hotel property.

9. Finance lease liabilities

The Group has entered into a leasing arrangement with a leasing company registered in the Cayman Islands to finance the purchase of four aircraft. The term of the lease is 12 years. The finance lease liabilities are secured by the six leased aircraft having a carrying amount of AED 897,369 thousand as at 30 September 2011 (31 December 2010: AED 293,783 thousand).

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

10. Other (expenses)/income

Other income includes unrealised loss on derivative financial instruments amounting to AED 20,925 thousand (9 month period ended 30 September 2010: gain amounting to AED 13,261 thousand) and also includes share of losses from investment in associates.

11. Basic earnings per share

	Three month period ended 30 September 2011 (unaudited)	30 September 2010 (unaudited)	Nine month period ended 30 September 2011 (unaudited)	30 September 2010 (unaudited)
Profit for the period (in AED '000)	99,303	135,166	191,615	233,522
Number of shares (in '000)	4,666,700	4,666,700	4,666,700	4,666,700
Basic earnings per share (in AED)	0.02	0.03	0.04	0.05

**Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 30 September 2011 (continued)**

12. Dividend

At the Annual General Meeting held on 23 March 2011, the shareholders approved a cash dividend of 8% amounting to AED 373,336 thousand for 2010 (for 2009: cash dividend of 10% amounting to AED 466,670 thousand).

Board of Directors' remuneration of AED 1,925 thousand for 2010 (for 2009: AED 1,925 thousand) was also approved in the above meeting.

13. Cash and cash equivalents

	2011 (unaudited) AED '000	30 September 2010 (unaudited) AED '000
Bank balances and cash	1,291,071	2,167,095
Fixed deposits being maturity over three months	(1,092,147)	(1,018,750)
Murabaha deposits	-	(311,224)
Margin deposits	(1,738)	-
	197,186	837,121

14. Operating aircraft lease commitments

	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
<i>a) Where the Group is a lessee:</i>		
Within one year	258,123	285,271
In the second to fifth years inclusive	412,222	595,509
After five years	-	7,043
	670,345	887,823
<i>b) Where the Group is a lessor:</i>		
Within one year	73,155	83,887
In the second to fifth years inclusive	109,617	164,166
	182,772	248,053

**Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 30 September 2011 (continued)**

15. Contingent liabilities

	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Letters of credit	62,707	74,636
Letters of guarantee	16,006	14,575

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

16. Capital commitments

The Group has entered into the following capital commitments:

	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
<i>Authorised and contracted:</i>		
Aircraft fleet	10,862,417	12,033,882
Investment in an associate	34,921	34,921
Hotel project	-	7,703
Simulator project	4,331	42,945
Others	-	1,383
	10,901,669	12,120,834

Authorised but not contracted:

Aircraft fleet	1,422,807	1,422,807
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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 38 aircraft order was approximately USD 3.26 billion (AED: 11.6 billion) (31 December 2010: 42 aircrafts, USD 3.5 billion (AED 12.6 billion) at list prices subject to adjustment in accordance with the Airbus price revision formula. As per the contract, 20% of the purchase price of 38 (2010: 42) aircraft is payable over the next four years, with the balance being due on delivery.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 30 September 2011 (continued)**

17. 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.

18. Related party transactions

Transactions:

During the period, the Group entered into the following transactions with related parties.

	Three month period ended 30 September		Nine month period ended 30 September	
	2011 (unaudited) AED '000	2010 (unaudited) AED '000	2011 (unaudited) AED '000	2010 (unaudited) AED '000
Rental income from investment property	825	825	2,475	2,475
Rental income from operating lease – aircraft	24,921	17,534	69,545	44,279
Management fees	1,691	967	5,213	2,933

Transactions with related parties were carried out at terms agreed by the management.

19. Segment information

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 to the annual audited consolidated financial statements. Segment revenue does not include the Group's share of external revenue of joint ventures, amounting to AED 86,212 thousand (9 month period ended 30 September 2010: AED 72,596 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 losses/profits in joint ventures, share of losses in associates, profit from bank deposits and other income. Segment assets do not include fixed deposits, available-for-sale investments 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.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 30 September 2011 (continued)**

19. Segment information (continued)

Primary reporting format – business segments

30 September 2011 (unaudited)	Airline	Other segments	Eliminations	Total
	AED '000	AED '000	AED '000	AED '000
Revenue				
External sales	1,704,544	16,514	-	1,721,058
Inter-segment sales	-	8,810	(8,810)	-
Total revenue	1,704,544	25,324	(8,810)	1,721,058
Result				
Segment result	109,680	5,417	-	115,097
Share of losses in associates	-	-	-	(5,801)
Share of results in joint ventures	-	-	-	16,482
Profit from bank deposits and other income	-	-	-	69,351
Profit for the period				195,129
Other information				
Additions to property and equipment and deferred charges	683,319	332,673	-	1,015,992
Depreciation and amortisation	62,206	9,833	-	72,039
30 September 2011 (unaudited)				
Assets				
Segment assets	4,625,231	281,784	(16,728)	4,890,287
Unallocated Group assets				1,994,316
Total Assets				6,884,603
Liabilities				
Segment liabilities	1,657,277	35,437	(16,728)	1,675,986
Unallocated Group liabilities				28,256
Total Liabilities				1,704,242

**Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 30 September 2011 (continued)**

19. Segment information (continued)

Primary reporting format – business segments (continued)

30 September 2010 (unaudited)	<u>Airline</u> AED '000	<u>Other segments</u> AED '000	<u>Eliminations</u> AED '000	<u>Total</u> 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>
Total revenue	<u>1,453,788</u>	<u>9,704</u>	<u>(8,671)</u>	<u>1,454,821</u>
Result				
Segment result	129,839	4,725	-	134,564
Share of losses in associates	-	-	-	(24,702)
Share of results in joint ventures	-	-	-	18,384
Profit from bank deposits and other income	-	-	-	107,627
				<u>235,873</u>
Profit for the period				<u>235,873</u>
Other information				
Additions to property and equipment and deferred charges	115,429	1,728	-	117,157
Depreciation and amortisation	34,032	278	-	34,310
31 December 2010 (audited)				
Assets				
Segment assets	3,722,118	28,430	(4,192)	3,746,356
	<u>3,722,118</u>	<u>28,430</u>	<u>(4,192)</u>	<u>3,746,356</u>
Unallocated Group assets				2,623,642
				<u>2,623,642</u>
Total Assets				<u>6,369,998</u>
Liabilities				
Segment liabilities	944,667	12,710	(4,192)	953,185
	<u>944,667</u>	<u>12,710</u>	<u>(4,192)</u>	<u>953,185</u>
Unallocated Group liabilities				39,884
				<u>39,884</u>
Total Liabilities				<u>993,069</u>

Inter-segment sales are charged at prevailing market prices.

20. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 1 November 2011.