

**Air Arabia PJSC
and its subsidiaries**

Condensed consolidated interim
financial information
30 September 2014

Air Arabia PJSC and its subsidiaries

Condensed consolidated interim financial information

30 September 2014

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

The Board of Directors
Air Arabia PJSC

Introduction

We have reviewed the accompanying 30 September 2014 condensed consolidated interim financial information of Air Arabia PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2014;
- the condensed consolidated income statement for the three month and nine month periods ended 30 September 2014;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2014;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2014;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2014; and,
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed 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 30 September 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, "*Interim Financial Reporting*".

KPMG Lower Gulf Limited
Muhammad Tariq
Registration No.: 793
Dubai, United Arab Emirates

10 NOV 2014

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of financial position as at 30 September 2014

		30 September 2014 (Unaudited) AED'000	31 December 2013 (Audited) AED'000
Assets	<i>Note</i>		
Non-current assets			
Property and equipment	7	5,368,633	4,332,127
Advances for new aircraft		648,099	707,987
Investment properties	8	162,334	162,897
Intangible assets		1,094,360	1,092,347
Goodwill	20	198,522	189,474
Deferred charges		8,651	8,740
Aircraft lease deposits		7,109	11,775
Available-for-sale investments	9	701,037	771,029
Trade and other receivables		7,705	32,579
Investment in joint ventures and associate	10	47,531	55,667
Long term investment	11	150,000	50,000
		<u>8,393,981</u>	<u>7,414,622</u>
Current assets			
Inventories		14,659	11,730
Due from related parties	14	57,361	79,114
Trade and other receivables		435,610	498,169
Short term investment		183,653	-
Bank balances and cash	11	1,285,273	1,391,066
		<u>1,976,556</u>	<u>1,980,079</u>
Total assets		<u>10,370,537</u>	<u>9,394,701</u>
Liabilities and equity			
Non-current liabilities			
Provision for employees' end of service indemnity		62,752	48,011
Trade and other payables		191,930	109,835
Finance lease liabilities	12	2,501,586	1,951,054
		<u>2,756,268</u>	<u>2,108,900</u>
Current liabilities			
Due to related parties	14	1,078	15,543
Deferred income		295,128	206,520
Short term borrowings	11.1	291,867	291,946
Trade and other payables		1,076,442	1,019,591
Finance lease liabilities	12	245,987	176,018
		<u>1,910,502</u>	<u>1,709,618</u>
Total liabilities		<u>4,666,770</u>	<u>3,818,518</u>
Equity			
Share capital	13	4,666,700	4,666,700
Statutory reserve		264,411	264,411
General reserve		207,634	207,634
Fair value reserve		45,814	70,922
Retained earnings		495,529	345,591
		<u>5,680,088</u>	<u>5,555,258</u>
Equity attributable to owners of the Company		<u>5,680,088</u>	<u>5,555,258</u>
Non-controlling interests		23,679	20,925
		<u>5,703,767</u>	<u>5,576,183</u>
Total liabilities and equity		<u>10,370,537</u>	<u>9,394,701</u>

The accompanying notes on pages 7 to 17 are an integral part of this condensed consolidated interim financial information.

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on

10 NOV 2014

Chairman

Chief Executive Officer

Director of Finance

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Air Arabia PJSC and its subsidiaries

Condensed consolidated income statement (unaudited)

for the nine month period ended 30 September 2014

	Note	Three month		Nine month	
		<u>period ended 30 September</u>		<u>period ended 30 September</u>	
		2014	2013	2014	2013
		AED'000	AED'000	AED'000	AED'000
Revenue		1,062,964	853,795	2,804,620	2,372,645
Direct costs		(745,687)	(657,282)	(2,216,091)	(1,950,870)
Gross profit		317,277	196,513	588,529	421,775
General and administrative expenses		(8,109)	(22,507)	(111,340)	(68,118)
Selling and marketing expenses		(11,778)	(11,843)	(40,894)	(39,768)
Interest income from bank deposits		12,861	13,109	42,102	37,251
Finance cost		(13,402)	(11,963)	(39,621)	(32,904)
Share of profits from joint ventures	10	6,220	4,367	15,987	14,350
Other income (net)	15	(52,359)	38,748	43,615	8,087
Profit for the period		250,710	206,424	498,378	340,673
Profit attributable to:					
Owners of the Company		247,359	202,719	488,274	328,893
Non-controlling interests		3,351	3,705	10,104	11,780
		250,710	206,424	498,378	340,673
Basic earnings per share (AED)	16	0.05	0.04	0.10	0.07

The accompanying notes on pages 7 to 17 are an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of profit or loss and other comprehensive income (unaudited)

for the nine month period ended 30 September 2014

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2014	2013	2014	2013
		AED'000	AED'000	AED'000	AED'000
Profit for the period		250,710	206,424	498,378	340,673
		-----	-----	-----	-----
Other comprehensive income:					
<i>Items that are or may be reclassified to profit or loss:</i>					
(Loss) / gain on revaluation of available-for-sale investments	9	(16,114)	24,047	(13,012)	12,039
Fair valuation reserve reclassified to profit and loss on disposal of available-for-sale investments	15	-	-	(12,096)	-
		-----	-----	-----	-----
Total comprehensive income for the period		234,596	230,471	473,270	352,712
		=====	=====	=====	=====
Total comprehensive income attributable to:					
Owners of the Company		231,245	226,766	463,166	340,932
Non-controlling interests		3,351	3,705	10,104	11,780
		-----	-----	-----	-----
		234,596	230,471	473,270	352,712
		=====	=====	=====	=====

The accompanying notes on pages 7 to 17 are an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of changes in equity

for the nine month period ended 30 September 2014

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Fair value reserve AED '000	Retained earnings AED '000	Attributable to owners of the Company AED '000	Non- controlling interests AED '000	Total AED '000
Balance at 1 January 2013 (audited)	4,666,700	222,337	165,560	38,672	335,669	5,428,938	11,705	5,440,643
Total comprehensive income for the period (unaudited)								
Profit for the period	-	-	-	-	328,893	328,893	11,780	340,673
Other comprehensive income	-	-	-	12,039	-	12,039	-	12,039
	-----	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income	-	-	-	12,039	328,893	340,932	11,780	352,712
	-----	-----	-----	-----	-----	-----	-----	-----
Transactions with owners, recorded directly in equity (unaudited)								
Dividend declared (refer to note 22)	-	-	-	-	(326,669)	(326,669)	(4,900)	(331,569)
Other movements	-	-	-	-	-	-	(342)	(342)
	-----	-----	-----	-----	-----	-----	-----	-----
Balance at 30 September 2013 (unaudited)	4,666,700	222,337	165,560	50,711	337,893	5,443,201	18,243	5,461,444
	=====	=====	=====	=====	=====	=====	=====	=====
Balance at 1 January 2014 (audited)	4,666,700	264,411	207,634	70,922	345,591	5,555,258	20,925	5,576,183
Total comprehensive income for the period (unaudited)								
Profit for the period	-	-	-	-	488,274	488,274	10,104	498,378
Other comprehensive income	-	-	-	(25,108)	-	(25,108)	-	(25,108)
	-----	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income	-	-	-	(25,108)	488,274	463,166	10,104	473,270
	-----	-----	-----	-----	-----	-----	-----	-----
Transactions with owners, recorded directly in equity (unaudited)								
Dividend declared (refer to note 22)	-	-	-	-	(338,336)	(338,336)	(7,350)	(345,686)
	-----	-----	-----	-----	-----	-----	-----	-----
Balance at 30 September 2014 (unaudited)	4,666,700	264,411	207,634	45,814	495,529	5,680,088	23,679	5,703,767
	=====	=====	=====	=====	=====	=====	=====	=====

The accompanying notes on pages 7 to 17 are an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of cash flows (unaudited)

for the nine month period ended 30 September 2014

		Nine month period ended 30 September	
		2014	2013
	<i>Note</i>	AED '000	AED '000
Operating activities			
Profit for the period		498,378	340,673
<i>Adjustments for:</i>			
Depreciation of property and equipment	7	217,759	160,501
Depreciation of investment property		563	562
Amortisation of deferred charges		1,446	2,946
Gain on fair valuation of investment in joint venture acquired	20	(4,614)	-
Gain on disposal of available-for-sale investments	15	(12,096)	-
Provision for employees' end of service indemnity		18,889	9,071
Unrealised loss on derivative financial instruments	15	32,152	11,851
Share of profits from joint ventures		(15,987)	(14,350)
Interest income from bank deposits		(42,102)	(37,251)
Dividend income		(244)	-
		-----	-----
<i>Operating cash flows before working capital changes</i>		694,144	474,003
<i>Changes in:</i>			
- Trade and other receivables		59,141	(46,681)
- Inventories		(2,929)	(2,726)
- Due from related parties		21,753	(6,174)
- Trade and other payables		136,590	102,770
- Deferred income		88,608	28,396
- Due to related parties		(14,465)	(11,553)
- Employee's end of service indemnity paid		(4,476)	(1,354)
		-----	-----
Net cash from operating activities		978,366	536,681
		=====	=====
Investing activities			
Acquisition of property and equipment		(56,572)	(104,271)
Advances for new aircraft		(365,834)	(75,539)
Payments for deferred charges		(1,357)	(1,114)
Proceeds from sale of available-for-sale investments	9	56,980	-
Dividend received from joint ventures	10	17,500	28,525
Step acquisition of a subsidiary, net	20	(1,395)	-
Acquisition of intangible assets		(616)	-
Payments for aircraft lease deposits		4,666	4,034
Change in fixed and margin deposits		229,225	458,824
Interest income from bank deposits		42,102	37,251
Short term investments made		(183,653)	(183,660)
		-----	-----
Net cash (used in) / from investing activities		(258,954)	164,050
		-----	-----
Financing activities			
Dividend paid to non-controlling interests		(7,350)	(4,900)
Dividend paid to owners of the Company		(338,336)	(326,669)
Payments of finance lease liabilities		(150,458)	(260,363)
Change in short term borrowings		6	-
Dividend received		244	-
		-----	-----
Net cash used in financing activities		(495,894)	(591,932)
		-----	-----
Net increase in cash and cash equivalents		223,518	108,799
Cash and cash equivalents at the beginning of the period		(18,104)	93,511
		-----	-----
Cash and cash equivalents at the end of the period		205,414	202,310
		=====	=====
The details of cash and cash equivalents is as under:			
Bank balances and cash	11	1,435,273	956,750
Fixed deposits with maturity over 3 months		(1,027,182)	(751,988)
Margin deposits with maturity over 3 months		(2,677)	(2,452)
		-----	-----
		405,414	202,310
Bank overdraft	11.1	(200,000)	-
		-----	-----
		205,414	202,310
		=====	=====

The accompanying notes on pages 7 to 17 are an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information

for the nine month period ended 30 September 2014

1. Reporting entity

Air Arabia PJSC (the “Company”) was incorporated on 19 September, 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 Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The registered office address is P.O. Box 8, Sharjah, United Arab Emirates.

The condensed consolidated interim financial information as at and for the nine month periods ended 30 September 2014 comprise the Company and its subsidiaries (collectively referred to as the “Group”) and the Group's interest in associates and jointly controlled entities.

The licensed activities of the Group are international commercial air transportation, aircraft trading, aircraft rental, aircraft spare parts trading, travel and tourist agencies, hotels, hotel apartment rentals, airline companies' representative office, passengers transport, cargo services, air cargo agents, documents transfer services, aviation training and aircraft repairs and maintenance.

The extent of the Group's ownership in its various subsidiaries, joint ventures and associates and their principal activities are as follows:

<u>Name</u>	<u>Legal ownership interest</u>		<u>Country of incorporation</u>	<u>Principal Activities</u>
	2014	2013		
<i>Subsidiaries</i>				
COZMO Travel LLC and its subsidiaries :	51%	51%	United Arab Emirates	Travel and tours, tourism and cargo services.
<i>COZMO Travel WLL</i>	100%	100%	<i>Qatar</i>	<i>Travel and tours, tourism and cargo services.</i>
<i>COZMO Travel Limited Company</i>	100%	100%	<i>Kingdom of Saudi Arabia</i>	<i>Travel and tours, tourism and cargo services.</i>
<i>COZMO Travel LLC (*)</i>	100%	-	<i>Kuwait</i>	<i>Travel and tourism</i>
Information System Asscoiates (FZC), U.A.E (refer to note 20)	100%	51%	United Arab Emirates	IT services to aviation industry
Action Hospitality (*)	100%	-	United Arab Emirates	Hospitality services, tourism, managing and operating restaurants and hotels
<i>Jointly controlled entities</i>				
Alpha Flight Services UAE (L.L.C.) (“AFS”)	50%	50%	United Arab Emirates	Flight and retail catering and ancillary services to the Air Arabia PJSC.
Sharjah Aviation Services (L.L.C.) (“SAS”)	50%	50%	United Arab Emirates	Aircraft handling, passenger and cargo services at the Sharjah International Airport.
Air Arabia – Egypt Company (S.A.E.)	50%	50%	Egypt	International commercial air transportation.
<i>Associate</i>				
Air Arabia Maroc, S.A.	40%	40%	Morocco	International commercial air transportation.

(*) Established in the current period.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)* *for the nine month period ended 30 September 2014*

2. Basis of preparation

2.1 Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with the International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), and should be read in conjunction with the annual consolidated financial statements of the Group as at and for the year ended 31 December 2013.

2.2 Basis of measurement

The condensed consolidated interim financial information has been prepared on the historical cost basis except for derivative financial instruments and available-for-sale investments, which are measured at their fair values in the statement of financial position.

2.3 Functional and presentation currency

This condensed consolidated interim financial information is presented in United Arab Emirates Dirham (“AED”), which is the Group’s functional currency.

3. Significant accounting policies

The accounting policies applied by the Group in the preparation of the condensed consolidated interim financial information are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013 except for new standards, interpretations and amendments adopted by the Group as explained in note 4.

4. Application of new and revised International Financial Reporting Standards (IFRSs)

New and revised IFRSs applied with no material effect on the condensed consolidated interim financial information

The following revised IFRSs have been adopted in these condensed consolidated interim financial information. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 10 *Consolidated Financial Statements - amendments for investment entities*
- Amendments to IFRS 12 *Disclosure of interests in Other Entities - amendments for investment entities*
- Amendments to IAS 27 *Separate Financial Statements (as amended in 2011) - amendments for investment entities*
- Amendments to IAS 32 *Financial instruments: Presentation - amendments relating to the offsetting of assets and liabilities*
- Amendments to IAS 36 *Impairment of Assets – Amendments arising from Recoverable Amount Disclosures for Non-Financial Asset*
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Amendments for novation of derivatives*

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2014

4. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and revised standards in issue but not yet effective

The Group has not early adopted the following new and revised standards 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>
• <i>Amendments to IFRS 2 Shared-based Payment – Definition of ‘vesting condition’</i>	1 July 2014
• <i>Amendments to IFRS 3 Business Combinations – Accounting for contingent consideration and scope exception for joint ventures</i>	1 July 2014
• <i>Amendments to IFRS 13 Fair Value Measurement – Scope of the portfolio exception</i>	1 July 2014
• <i>Amendments to IAS 16 Property, Plant and Equipment – Proportionate restatement of accumulated depreciation on revaluation</i>	1 July 2014
• <i>Amendments to IAS 19 Employee Benefits – Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service</i>	1 July 2014
• <i>Amendments to IAS 24 Related Party Disclosures – Management entities</i>	1 July 2014
• <i>Amendments to IAS 38 Intangible Assets – Proportionate restatement of accumulated depreciation on revaluation</i>	1 July 2014
• <i>Amendments to IAS 40 Investment Property – Interrelationship between IFRS 3 and IAS 40</i>	1 July 2014
• <i>IFRS 15 – Revenue from contracts with customers - Principles based five-step model for recognition and disclosure of revenue to be applied to all contracts with customers</i>	1 January 2017

As of date of issuance of this condensed consolidated interim financial information management is in the process of evaluating the impact of these new and revised standards.

5. Accounting estimates and judgments

The preparation of condensed consolidated interim financial information in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Group’s accounting policies and the key sources of estimation of uncertainty were the same as those that were applied in preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)* for the nine month period ended 30 September 2014

6. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2013.

7. Property and equipment

Additions, disposals and depreciation (unaudited)

During the nine month period ended 30 September 2014, the Group acquired property and equipment amounting to AED 1,254.3 million (*nine month period ended 30 September 2013: AED 911.8 million*).

Depreciation charge on property and equipment for the current period amounted to AED 217.8 million (*nine month period ended 30 September 2013: AED 160.5 million*).

8. Investment properties

Investment properties comprise a building constructed by the Group on a plot of land adjacent to Sharjah International Airport, granted by the Government of Sharjah and an apartment building under progress located in Dubai, UAE.

9. Available-for-sale investments

	30 September 2014 (unaudited) AED '000	31 December 2013 (audited) AED '000
Quoted	19,116	16,358
Unquoted	681,921	754,671
	<u>701,037</u>	<u>771,029</u>
In UAE	333,723	403,715
Outside UAE	367,314	367,314
	<u>701,037</u>	<u>771,029</u>

	30 September 2014 (unaudited) AED '000	31 December 2013 (audited) AED '000
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Movement during the period were as follows:

At 1 January	771,029	738,779
Disposed during the period	(56,980)	-
Change in fair value	(13,012)	32,250
	<u>701,037</u>	<u>771,029</u>

The market rate as at 30 September 2014 is considered for the calculation of the fair value of the available-for-sale investments that are quoted in the stock exchange.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)* for the nine month period ended 30 September 2014

10. Investment in joint ventures and associate

The following summarises the financial information of the material joint ventures and associate and reconciles the summarized financial information to the carrying amount of the Group's interest in the material joint ventures and associate.

Percentage of interest	AFS		SAS	
	50%		50%	
	30 September 2014 (unaudited) AED '000	31 December 2013 (audited) AED '000	30 September 2014 (unaudited) AED '000	31 December 2013 (audited) AED '000
Assets	48,349	36,556	140,654	127,776
Liabilities	(37,124)	(18,421)	(56,817)	(48,158)
Net assets	11,225	18,135	83,837	79,618
	=====	=====	=====	=====
Group's share in net assets as presented in the consolidated statement of financial position	5,612	9,068	41,919	39,809
Profit for the period/year	8,090	15,135	24,219	20,310
Group's share of profit for the period/year	4,045	7,568	12,109	10,155
Cash dividends received by the Group	(7,500)	(7,526)	(10,000)	(21,000)
	=====	=====	=====	=====

At 31 December 2013, Information Systems Associates Limited was a joint venture of the Group. The Group's share of its net assets as of 31 December 2013 was AED 6.8 million (*refer to note 20*).

11. Bank balances and cash

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Bank balances:		
- Current accounts	394,890	159,156
- Call deposits	7,461	21,260
- Fixed deposits	1,027,182	1,256,608
- Margin deposits	2,677	2,477
	-----	-----
Total bank balances	1,432,210	1,439,501
Cash on hand	3,063	1,565
	-----	-----
Total bank balances and cash	1,435,273	1,441,066
Less: long term investment	(150,000)	(50,000)
	-----	-----
Total	1,285,273	1,391,066
	=====	=====

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2014

11.1. Short term borrowings

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Bank overdraft	200,000	200,085
Supplier finance facility	91,867	91,861
	-----	-----
	291,867	291,946
	=====	=====

12. Finance lease liabilities

The Group has entered into a leasing arrangement with a third party to finance the purchase of 26 aircraft. The term of the lease is 12 years. The finance lease liabilities are secured by these 26 aircraft leased (2013: 19 aircraft leased).

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

13. Share capital

	30 September 2014 (unaudited) AED '000	31 December 2013 (audited) AED '000
Authorised, issued and fully paid up share capital (of 4,666,700 thousand shares of AED 1 each)	4,666,700	4,666,700
	=====	=====

14. Related party transactions

The Group in the ordinary course of business enters into transaction with other business enterprises that fall within the definition of a related party as contained in International Accounting Standard 24.

During the period, the Group entered into the following transactions with related parties which were carried out at terms agreed by the management:

	Three month period ended 30 September		Nine month period ended 30 September	
	2014 (Unaudited) AED'000	2013 (Unaudited) AED'000	2014 (Unaudited) AED'000	2013 (Unaudited) AED'000
Rental income from aircraft leased to an associate and joint venture	4,013	20,526	37,709	60,331
Management fees	2,011	2,382	6,368	6,125
Expenses recharged by related parties	8,851	10,344	24,955	22,219
Revenue from related parties	3,158	1,033	6,959	3,511
	=====	=====	=====	=====

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2014

14. Related party transactions (continued)

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Due from related parties		
Receivable from associate and joint venture – net (i)	57,361	77,485
Others	-	1,629
	-----	-----
	57,361	79,114
	=====	=====

(i) Net of AED 21 million provision recorded in the current period.

	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
Due to related parties		
Sharjah Aviation Services	-	14,363
Others	1,078	1,180
	-----	-----
	1,078	15,543
	=====	=====

15. Other income (net)

	Three month period ended 30 September		Nine month period ended 30 September	
	2014 (Unaudited) AED'000	2013 (Unaudited) AED'000	2014 (Unaudited) AED'000	2013 (Unaudited) AED'000
Unrealised (loss) / gain on derivative financial instruments	(68,940)	33,914	(32,152)	(11,851)
Management fees (refer note 14)	2,011	2,382	6,368	6,125
Gain on fair valuation of investment in joint venture acquired during the period (refer note 20)	-	-	4,614	-
Insurance commission	762	1,267	2,759	3,599
Gain on disposal of available-for-sale investments	-	-	12,096	-
Foreign exchange gain	8,665	502	32,285	2,167
Others	5,143	683	17,645	8,047
	-----	-----	-----	-----
	(52,359)	38,748	43,615	8,087
	=====	=====	=====	=====

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2014

16. Basic earnings per share

	Three month		Nine month	
	<u>period ended 30 September</u>		<u>period ended 30 September</u>	
	2014	2013	2014	2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit attributable to the owners of the Company (in AED'000)	247,359	202,719	488,274	328,893
	=====	=====	=====	=====
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	0.04	0.11	0.07
	===	===	===	===

17. Operating aircraft lease commitments

a) *Where the Group is a lessee:*

	30 September 2014	31 December 2013
	(unaudited)	(audited)
	AED '000	AED '000
Within one year	68,071	115,825
Between two and five years	14,167	59,241
	-----	-----
	82,238	175,066
	=====	=====

b) *Where the Group is a lessor:*

	30 September 2014	31 December 2013
	(unaudited)	(audited)
	AED '000	AED '000
Within one year	39,894	43,819
Between two and five years	23,149	24,422
	-----	-----
	63,043	68,241
	=====	=====

18. Contingent liabilities

	30 September 2014	31 December 2013
	(unaudited)	(audited)
	AED '000	AED '000
Letters of credit	27,862	34,036
Letters of guarantee	29,527	25,453
	=====	=====

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

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2014

19. Capital commitments

The Group has entered into the following capital commitments:

	30 September 2014 (unaudited) AED '000	31 December 2013 (audited) AED '000
Authorised and contracted:		
Aircraft fleet	4,338,416 =====	6,465,167 =====
Authorised but not contracted:		
Aircraft fleet	1,422,807 =====	1,422,807 =====

20. Acquisition of subsidiary

On 25 February 2014, the Group acquired 49% of the shares and voting interests in Information Systems Associates (Private) Limited ("ISA"). As a result, the Group's equity interest in ISA increased from 51% to 100% and it obtained control of ISA. ISA was previously a joint venture and was accounted for as an equity accounted investee.

The remeasurement to fair value of the Group's existing 51% interest in ISA resulted in a gain of AED 4,614 thousand. This amount has been included in other income (see note 15).

The Goodwill arising from the acquisition has been recognized as follows:

	AED'000
Cash consideration	10,797
Fair Value of previously held equity interest in ISA	11,238 -----
Total consideration transferred	22,035
Less : Fair value of identifiable net assets acquired (i)	(12,987) -----
Goodwill	9,048 =====

- (i) The assets and liabilities of ISA have been recorded at their carrying values. Management is currently in the process of evaluating the fair value of identifiable net assets acquired and any necessary adjustments will be made to these net assets and goodwill during the measurement period of one year as permitted by IFRS 3.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the nine month period ended 30 September 2014

21. Segment information

The Group has broadly two reportable segments as described below, which are the Group's strategic business units. The strategic business units operate in different sectors and are managed separately because they require different strategies. The following summary describes the operation in each of the Group's reportable segments:

<i>Airline</i>	includes international commercial air transportation, aircraft rental, passengers transport, cargo services, aviation training and aircraft repairs and maintenance.
<i>Other segments</i>	includes travel and tourist agencies, hotels, hotel apartment rentals, airline companies' representative office and documents transfer services.

Primary reporting format - business segments

Nine month period ended 30 September 2014 (unaudited)	Airline	Other segments	Eliminations	Total
	AED '000	AED '000	AED '000	AED'000
Revenue				
External sales	2,687,871	116,749	-	2,804,620
Inter-segment sales	-	3,275	(3,275)	-
Total revenue	<u>2,687,871</u>	<u>120,024</u>	<u>(3,275)</u>	<u>2,804,620</u>
Result				
Segment result	394,416	41,879	-	436,295
Share of profit on equity accounted entities				15,987
Finance cost				(39,621)
Interest income from bank deposits				42,102
Other income				43,615
Profit for the period				<u>498,378</u>
Other information				
Additions to property and equipment and deferred charges	1,244,588	9,677	-	1,254,265
Depreciation and amortization	217,035	2,732	-	219,767
30 September 2014 (unaudited)				
Assets				
Segment assets	<u>8,124,647</u>	<u>201,257</u>	<u>(85,211)</u>	<u>8,240,693</u>
Unallocated Group assets				2,129,844
Total assets				<u>10,370,537</u>
Liabilities				
Segment liabilities	<u>4,672,510</u>	<u>79,471</u>	<u>(85,211)</u>	<u>4,666,770</u>

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the nine month period ended 30 September 2014

21. Segment information (continued)

Primary reporting format - business segments (continued)

Nine month period ended	Airline	Other	Eliminations	Total
30 September 2013 (unaudited)	AED '000	Segments	AED '000	AED'000
		AED '000		
Revenue				
External sales	2,288,472	84,173	-	2,372,645
Inter-segment sales	823	4,353	(5,176)	-
	-----	-----	-----	-----
Total revenue	2,289,295	88,526	(5,176)	2,372,645
	=====	=====	=====	=====
Result				
Segment result	272,511	41,378	-	313,889
Share of profit on equity accounted entities				14,350
Finance cost				(32,904)
Interest income from bank deposits				32,751
Other income				8,087

Profit for the period				340,673
				=====
Other information				
Additions to property and equipment and deferred charges	911,509	1,397	-	912,906
Depreciation and amortisation	163,126	883	-	164,009
31 December 2013 (audited)				
Assets				
Segment assets	7,070,647	154,427	(45,872)	7,179,202
	-----	-----	-----	-----
Unallocated Group assets				2,215,499

Total assets				9,394,701
				=====
Liabilities				
Segment liabilities	3,812,535	51,855	(45,872)	3,818,518
	=====	=====	=====	=====

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 consolidated financial statements as at and for the year ended 31 December 2013. Segment result represents the profit earned by each segment without considering share of profit/(loss) on equity accounted entities, finance cost, profit from bank deposits and other income. Segment assets do not include fixed deposits, available-for-sale investments, investment properties, investment in joint ventures and associate and short term investment. Goodwill and intangible assets have been allocated to the Airline segment.

22. Dividend

At the Annual General Meeting held on 16 March 2014, the shareholders approved a cash dividend of AED 338,335,750 at AED 7.25 fils per share. This dividend has been paid in the current period.