

**Air Arabia PJSC  
and its subsidiaries**

**Condensed consolidated interim  
financial information**  
*30 September 2015*

# Air Arabia PJSC and its subsidiaries

## Condensed consolidated interim financial information

30 September 2015

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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 2015 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 2015;
- the condensed consolidated statement of profit or loss for the three month and nine month periods ended 30 September 2015;
- the condensed consolidated statement of comprehensive income for the three month and nine month periods ended 30 September 2015;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2015;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2015; 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 2015 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

05 NOV 2015

**Air Arabia PJSC and its subsidiaries**  
**Condensed consolidated statement of financial position**  
*as at 30 September 2015*

	Note	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	7	6,442,479	5,643,598
Advances for new aircraft		283,445	578,817
Investment properties	8	170,760	162,147
Intangible assets		1,097,235	1,095,165
Goodwill		198,522	198,522
Deferred charges		33,913	8,446
Aircraft lease deposits		-	3,675
Available-for-sale investments	9a	-	703,824
Investments measured at fair value through other comprehensive income ("FVOCI")	9b	306,539	-
Investment measured at amortised cost	9c	367,315	-
Investment in joint ventures	10	40,133	50,152
Investment in associates		17,234	10,417
Long-term portion of investments		150,000	100,000
<b>Total non-current assets</b>		<b>9,107,575</b>	<b>8,554,763</b>
<b>Current assets</b>			
Inventories		17,577	17,423
Due from related parties	15	21,510	48,298
Trade and other receivables		507,823	396,053
Short-term portion of investments		183,654	233,654
Bank balances and cash	11	1,454,788	1,324,250
<b>Total current assets</b>		<b>2,185,352</b>	<b>2,019,678</b>
<b>Total assets</b>		<b>11,292,927</b>	<b>10,574,441</b>
<b>Liabilities and equity</b>			
<b>Non-current liabilities</b>			
Provision for staff terminal benefits		76,869	65,301
Trade and other payables		1,067,540	655,004
Non-current portion of finance lease liabilities	13	3,255,310	2,635,031
<b>Total non-current liabilities</b>		<b>4,399,719</b>	<b>3,355,336</b>
<b>Current liabilities</b>			
Due to related parties	15	12,653	7,040
Deferred income		243,819	254,820
Short-term borrowings	12	-	183,657
Trade and other payables		1,279,200	1,426,030
Current portion of finance lease liabilities	13	325,439	266,542
<b>Total current liabilities</b>		<b>1,861,111</b>	<b>2,138,089</b>
<b>Total liabilities</b>		<b>6,260,830</b>	<b>5,493,425</b>
<b>Capital and reserves</b>			
Share capital	14	4,666,700	4,666,700
Statutory reserve		319,702	319,702
General reserve		262,925	262,925
Fair value reserve	4	-	48,590
Cumulative change in fair value of investments measured at fair value through other comprehensive income	4	18,620	-
Cash flow hedge reserve		(753,723)	(692,977)
Retained earnings		484,972	449,585
<b>Equity attributable to owners of the Company</b>		<b>4,999,196</b>	<b>5,054,525</b>
Non-controlling interests		32,901	26,491
<b>Total equity</b>		<b>5,032,097</b>	<b>5,081,016</b>
<b>Total liabilities and equity</b>		<b>11,292,927</b>	<b>10,574,441</b>

The accompanying notes on pages 7 to 21 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

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 statement of profit or loss (unaudited)  
for the nine month period ended 30 September 2015

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
<b>Revenue</b>		<b>1,123,244</b>	1,062,964	<b>2,869,380</b>	2,804,620
Direct costs		<b>(833,255)</b>	(745,687)	<b>(2,248,185)</b>	(2,216,091)
<b>Gross profit</b>		<b>289,989</b>	317,277	<b>621,195</b>	588,529
General and administrative expenses		<b>(35,385)</b>	(8,109)	<b>(118,338)</b>	(111,340)
Selling and marketing expenses		<b>(10,482)</b>	(11,778)	<b>(49,944)</b>	(40,894)
Finance income		<b>19,203</b>	16,113	<b>57,840</b>	48,108
Finance costs		<b>(17,716)</b>	(16,654)	<b>(53,653)</b>	(45,627)
Share of profit from joint ventures	10	<b>1,591</b>	6,220	<b>3,981</b>	15,987
Share of loss from an associate		-	-	<b>(6,307)</b>	-
Other (expenses) / income (net)	16	<b>(12,514)</b>	(52,359)	<b>16,826</b>	43,615
<b>Profit for the period</b>		<b>234,686</b>	250,710	<b>471,600</b>	498,378
<i>Profit attributable to:</i>					
Owners of the Company		<b>231,013</b>	247,359	<b>455,390</b>	488,274
Non-controlling interests		<b>3,673</b>	3,351	<b>16,210</b>	10,104
		<b>234,686</b>	250,710	<b>471,600</b>	498,378
<b>Basic earnings per share (AED)</b>	17	<b>0.05</b>	0.05	<b>0.10</b>	0.10

The accompanying notes on pages 7 to 21 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 comprehensive income (unaudited)  
for the nine month period ended 30 September 2015

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2015 AED'000</b>	<b>2014 AED'000</b>	<b>2015 AED'000</b>	<b>2014 AED'000</b>
<b>Profit for the period</b>	<b>234,686</b>	<b>250,710</b>	<b>471,600</b>	<b>498,378</b>
<b>Other comprehensive income:</b>				
<i>Items that will never be subsequently transferred to profit or loss:</i>				
Fair value movement in investments measured at fair value through other comprehensive income ("FVOCI")	(41,243)	-	(29,970)	-
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
<b>Fair value reserve (available-for-sale investments)</b>				
Net change in fair value	-	(16,114)	-	(13,012)
Fair valuation reserve reclassified to profit and loss on disposal of available-for-sale investments	-	-	-	(12,096)
<b>Cash flow hedge</b>				
Effective portion of change in fair value	(177,274)	-	(62,479)	-
Ineffective portion transferred to profit or loss	29,553	-	1,733	-
<b>Total other comprehensive loss</b>	<b>(188,964)</b>	<b>(16,114)</b>	<b>(90,716)</b>	<b>(25,108)</b>
<b>Total comprehensive income for the period</b>	<b>45,722</b>	<b>234,596</b>	<b>380,884</b>	<b>473,270</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	42,049	231,245	364,674	463,166
Non-controlling interests	3,673	3,351	16,210	10,104
	<b>45,722</b>	<b>234,596</b>	<b>380,884</b>	<b>473,270</b>

The accompanying notes on pages 7 to 21 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 2015

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Fair value reserve AED'000	Cumulative change in fair value of investments measured at fair value through other comprehensive income AED'000	Cash flow hedge 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 2014 (audited)	4,666,700	264,411	207,634	70,922	-	-	345,591	5,555,258	20,925	5,576,183
<b>Total comprehensive income for the period (unaudited)</b>										
Profit for the period	-	-	-	-	-	-	488,274	488,274	10,104	498,378
Other comprehensive loss	-	-	-	(25,108)	-	-	-	(25,108)	-	(25,108)
<b>Total comprehensive income</b>	-	-	-	(25,108)	-	-	488,274	463,166	10,104	473,270
<b>Transactions with owners, recorded directly in equity (unaudited)</b>										
Dividend paid	-	-	-	-	-	-	(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
Balance at 1 January 2015 (audited)	4,666,700	319,702	262,925	48,590	-	(692,977)	449,585	5,054,525	26,491	5,081,016
Profit for the period	-	-	-	-	-	-	455,390	455,390	16,210	471,600
Other comprehensive income before the adoption of IFRS 9	-	-	-	11,273	-	86,975	-	98,248	-	98,248
Other comprehensive loss after the adoption of IFRS 9	-	-	-	-	(41,243)	(147,721)	-	(188,964)	-	(188,964)
Reclassification upon adoption of IFRS 9 (refer to note 4)	-	-	-	(59,863)	59,863	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	(48,590)	18,620	(60,746)	455,390	364,674	16,210	380,884
<b>Transactions with owners, recorded directly in equity (unaudited)</b>										
Dividend paid (refer note 22)	-	-	-	-	-	-	(420,003)	(420,003)	(9,800)	(429,803)
<b>Balance at 30 September 2015 (unaudited)</b>	<b>4,666,700</b>	<b>319,702</b>	<b>262,925</b>	<b>-</b>	<b>18,620</b>	<b>(753,723)</b>	<b>484,972</b>	<b>4,999,196</b>	<b>32,901</b>	<b>5,032,097</b>

The accompanying notes on pages 7 to 21 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 2015

	Notes	Nine month period ended 30 September	
		2015 AED '000	2014 AED '000
<b>Operating activities</b>			
Profit for the period		471,600	498,378
<i>Adjustments for:</i>			
Depreciation and amortisation		287,479	219,768
Gain on fair valuation of investment in joint venture acquired		-	(4,614)
Gain on disposal of available-for-sale investments		-	(12,096)
Provision for staff terminal benefits		14,882	18,889
Unrealised loss on derivative financial instruments		1,733	32,152
Share of profit/loss from associates and joint ventures		2,326	(15,987)
Interest income from bank deposits		(57,840)	(48,108)
		<u>720,180</u>	<u>688,382</u>
<i>Operating cash flows before working capital changes</i>			
<i>Changes in:</i>			
- Trade and other receivables		(111,770)	59,141
- Inventories		(154)	(2,929)
- Due from related parties		26,788	21,753
- Trade and other payables		203,227	136,590
- Deferred income		(11,001)	88,608
- Due to related parties		5,613	(14,465)
- Staff terminal benefits paid		(3,314)	(4,476)
		<u>829,569</u>	<u>972,604</u>
<b>Net cash from operating activities</b>			
<b>Investing activities</b>			
Acquisition of property and equipment		(46,026)	(56,572)
Additions in investment properties		(9,176)	-
Receipts/(payments) in relation to advances for new aircraft		155,794	(365,834)
Payments for deferred charges		(28,321)	(1,357)
Proceeds from sale of available-for-sale investments		-	56,980
Dividend received from joint ventures	10	14,000	17,500
Step acquisition of a subsidiary, net		-	(1,395)
Payments for investment in associates		(13,124)	-
Acquisition of intangible assets		(2,070)	(616)
Payments for aircraft lease deposits		3,675	4,666
Change in fixed and margin deposits		(28,407)	229,225
Interest income from bank deposits		57,840	48,108
Short-term investments made		-	(183,653)
		<u>104,185</u>	<u>(252,948)</u>
<b>Net cash from / (used in) investing activities</b>			
<b>Financing activities</b>			
Dividend paid to non-controlling interests		(9,800)	(7,350)
Dividend paid to owners of the Company		(420,003)	(338,336)
Payments of finance lease liabilities		(218,163)	(150,458)
Change in short-term borrowings		-	6
		<u>(647,966)</u>	<u>(496,138)</u>
<b>Net cash used in financing activities</b>			
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period		62,899	(18,104)
		<u>348,687</u>	<u>205,414</u>
<b>Cash and cash equivalents at the end of the period</b>			
<b>The details of cash and cash equivalents is as under:</b>			
Bank balances and cash	11	1,454,788	1,435,273
Fixed deposits with maturity over 3 months		(1,104,331)	(1,027,182)
Margin deposits with maturity over 3 months		(1,770)	(2,677)
		<u>348,687</u>	<u>405,414</u>
Bank overdraft	12	-	(200,000)
		<u>348,687</u>	<u>205,414</u>

The accompanying notes on pages 7 to 21 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 2015  
(forming part of the condensed consolidated interim financial information)

## 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 period ended 30 September 2015 comprise the Company and its subsidiaries (collectively referred to as the “Group”) and the Group's interest in associates and joint ventures.

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>
	2015	2014		
<b>Subsidiaries</b>				
COZMO Travel LLC and its subsidiaries	51%	51%	United Arab Emirates	Travel and tours, tourism and cargo services.
<u>Subsidiaries of COZMO Travel LLC:</u>				
COZMO Travel WLL	100%	100%	Qatar	Travel and tours, tourism and cargo services.
COZMO Travel Limited Company	100%	100%	Kingdom of Saudi Arabia	Travel and tours, tourism and cargo services.
COZMO Travel LLC	100%	100%	Kuwait	Travel and tours, tourism and cargo services.
COZMO Travel LLC	100%	100%	Bahrain	Travel and tours, tourism and cargo services.
COZMO World Travel*	100%	-	United Arab Emirates	Travel agent.
Tune Protection Commercial Brokerage LLC*	51%	-	United Arab Emirates	Commercial brokers.
Information System Asscoiates FZC	100%	100%	United Arab Emirates	IT services to aviation industry.
Action Hospitality	100%	100%	United Arab Emirates	Hospitality services, tourism, managing and operating restaurants and hotels.
<b>Jointly ventures</b>				
Alpha Flight Services UAE LLC	50%	50%	United Arab Emirates	Flight and retail catering and ancillary services to the Air Arabia PJSC.
Sharjah Aviation Services LLC	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.
<b>Associate</b>				
Air Arabia Maroc, S.A.	40%	40%	Morocco	International commercial air transportation.
Air Arabia Jordan*	49%	-	Jordan	International commercial air transportation.

(\* ) Established in the curent period.

# Air Arabia PJSC and its subsidiaries

## Notes to the condensed consolidated interim financial information *for the nine month period ended 30 September 2015*

### **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 2014.

#### **2.2 Basis of measurement**

The condensed consolidated interim financial information has been prepared on the historical cost basis except for derivative financial instruments, available-for-sale investments and Investments measured at fair value through other comprehensive income (“FVOCI”), 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)**

#### **4.1 New standards and interpretations issued and adopted**

##### **Early adoption of IFRS 9: Financial Instruments**

With effect from 1 July 2015, the Group has early adopted IFRS 9: Financial Instruments (2014) for financial instruments. All financial assets on or after 1 July 2015 are accounted for by applying the provisions of IFRS 9. IFRS 9 requires that an entity subsequently measures its financial instruments at either amortised cost or fair value depending on the entity’s business model for managing the financial instruments and the contractual cash flow characteristics of the financial instruments. Until 30 June 2015, the Group applied the provisions of IAS 39: Financial instruments Recognition and Measurement for accounting its financial assets.

##### **Impact of early adoption of IFRS 9**

On early adoption of IFRS 9, there has been no significant impact on the Group’s financial position. As per the transitional provisions of IFRS 9, the Group has elected not to restate comparative information. Previously, the Group’s financial assets and financial liabilities were classified as follows:



# Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information  
for the nine month period ended 30 September 2015

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

### 4.1 New standards and interpretations issued and adopted (continued)

#### Early adoption of IFRS 9: Financial Instruments (continued)

##### *Available-for-sale investments:*

- The fair value of investments classified as available-for-sale under IAS 39 amounted to AED 347.8 million as of 30 June 2015 has been reclassified as investments measured at fair value through other comprehensive income (“FVOCI”) on adoption of IFRS 9.

Furthermore, an amount of AED 59.8 million representing change in fair value of available for-sale investments has been reclassified to cumulative change in fair value of investments measured at fair value through other comprehensive income (refer to note 9) on adoption of IFRS 9.

Gains and losses on such investments are never reclassified to income statement and no impairment of them is recognised in profit or loss.

- The fair value of investment classified as Available-For-Sale investment under IAS 39 amounted to AED 367.3 million has been reclassified as investment measured at amortised cost using effective interest method, on adoption of IFRS 9.

##### *Other financial assets*

After the adoption of IFRS 9, all other financial assets continued to be measured at amortised cost, and there were no reclassifications to or from the amortised cost measurement category. These financial assets are also included in the same line items in the statement of financial position as at 31 December 2014.

##### *Financial liabilities*

After the adoption of IFRS 9, all financial liabilities continued to be measured at amortised cost, and there were no reclassifications to or from the amortised cost measurement category. These financial liabilities are also included in the same line items in the statement of financial position as at 31 December 2014.

##### *Hedge accounting*

Under IAS 39, impact of time value of money is recognised in the income statement as entities usually designate changes in the intrinsic value of the derivative as the hedge instrument. The application of IFRS 9 general hedge accounting principles will result in the volatility of the hedging instruments being transferred from the income statement to other comprehensive income.

# Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information  
for the nine month period ended 30 September 2015

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

### 4.2 New standards and interpretations issued but not adopted

- *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).

The above standards, amendments and interpretation are currently being assessed by management to determine any material impact on the Group's consolidated financial statements.

## 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 and 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 2014 expect the following on early adoption of IFRS 9.

### *Classification of investments*

Management decides on acquisition of a financial asset whether it should be subsequently measured at either amortised cost, fair value through profit or loss or fair value through other comprehensive income. This classification is based on the business objective and cash flow characteristics of the investment.

### Hedging instruments

On early adoption of IFRS 9, if the hedge relation is in line with the entity's documented risk management policy, and the risk being hedged can be measured reliably, hedge accounting can be applied. The standard states that there should be an economic relationship between the hedged item and the hedging instruments for this condition to be applicable.



# Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information  
for the nine month period ended 30 September 2015

## 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 2014.

## 7. Property and equipment

### *Additions, disposals and depreciation (unaudited)*

During the nine month period ended 30 September 2015, the Group acquired property and equipment amounting to AED 1,083 million (*nine month period ended 30 September 2014: AED 1,254 million*).

Depreciation charge on property and equipment for the current period amounted to AED 284 million (*nine month period ended 30 September 2014: AED 217 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. The Group has accounted for this land at AED 39 million, based on independent valuers' report, engaged for the purpose of applying IFRS 3 'Business Combination', at the time of acquisition of Air Arabia LLC (Air Arabia) by the Group.

# Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information  
for the nine month period ended 30 September 2015

## 9 Investments

On early adoption of IFRS 9, the Group has adopted an irrevocable election to designate certain investments as investments measured at fair value through other comprehensive income (“FVOCI”) as these investments are not held for trading. The Group has classified an investment in preference shares at amortised cost. These investments were previously classified as Available-For-Sale investments under IAS 39.

### 9a. Available-for-sale-investments

	<b>30 September 2015 (unaudited) AED '000</b>	31 December 2014 (audited) AED '000
Quoted	-	12,286
Unquoted	-	691,538
	-----	-----
	-	703,824
	=====	=====
In UAE	-	336,509
Outside UAE	-	367,315
	-----	-----
	-	703,824
	=====	=====

*Movement during the period were as follows:*

At 1 January	<b>703,824</b>	771,029
Change in fair value	<b>11,273</b>	(10,202)
Reclassified to investments measured at fair value through other comprehensive income (“FVOCI”) (refer note 9b)*	<b>(347,782)</b>	-
Reclassified to investment measured at amortised cost (refer note 9c)*	<b>(367,315)</b>	-
Disposed during the period	-	(57,003)
	-----	-----
	-	703,824
	=====	=====

\*Reclassification on the early adoption of IFRS 9.

# Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information  
for the nine month period ended 30 September 2015

## 9 Investments (continued)

### 9b. Investments measured at fair value through other comprehensive income (“FVOCI”)

	30 September 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000
Quoted	11,862	-
Unquoted	294,677	-
	<u>306,539</u>	<u>-</u>
In UAE	<u>306,539</u>	<u>-</u>

*Movement during the period were as follows:*

Reclassified from available-for-sale-investments (refer note 9a)	347,782	-
Change in fair value	(41,243)	-
	<u>306,539</u>	<u>-</u>

The market rate as at 30 September 2015 is considered for the calculation of the fair value of the investments that are quoted in the stock exchange.

### 9c. Investment measured at amortised cost

	30 September 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000
Unquoted	367,315	-
Outside UAE	<u>367,315</u>	<u>-</u>

*Movement during the period were as follows:*

Reclassified from available-for-sale investments (refer note 9a)	<u>367,315</u>	<u>-</u>
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## Air Arabia PJSC and its subsidiaries

### Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015

#### 10. Investment in joint ventures

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

Percentage of interest	Alpha Flight Services UAE LLC		Sharjah Aviation Services LLC		Information Systems Associates FZC (ISA) *		Total
	30 September 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000	30 September 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000	30 September 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000	
	50%		50%		51%		
Assets	39,680	32,590	125,174	138,725	-	-	164,854
Liabilities	(23,736)	(20,402)	(60,852)	(50,609)	-	-	(84,588)
Net assets	15,944	12,188	64,322	88,116	-	-	80,266
Group's share in net assets as presented in the consolidated statement of financial position	7,972	6,094	32,161	44,058	-	-	40,133
Profit/(loss) for the period/year	3,756	9,052	4,206	28,497	-	(325)	7,962
Group's share of profit/(loss) for the period/year	1,878	4,526	2,103	14,248	-	(166)	3,981
Cash dividends received by the Group	-	(7,500)	(14,000)	(10,000)	-	-	(14,000)
							(17,500)

\* During the previous year, ISA was converted into wholly owned subsidiary.



# Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information  
for the nine month period ended 30 September 2015

## 11. Bank balances and cash

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Bank balances:		
Current accounts	299,150	222,870
Call deposits	45,387	21,356
Fixed deposits *	1,104,331	1,074,392
Margin deposits *	1,770	3,303
	-----	-----
Total bank balances	1,450,638	1,321,921
Cash on hand	4,150	2,329
	-----	-----
Total bank balances and cash	<u>1,454,788</u>	<u>1,324,250</u>

\* These carry interest rates ranging from 2% - 5% (2014: 3% - 5%) per annum.

## 12 Short term borrowings

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
Bank overdraft (refer note (i) below)	-	183,657
	=====	=====

(i) The Group had availed overdraft facility from a lending bank. This overdraft facility carried interest at one month LIBOR+0.9% per annum (2014: one month LIBOR+0.9% per annum). The Group has repaid bank overdraft during the current period.

## 13. Finance lease liabilities

The Group has entered into a leasing arrangement with a third party to finance the purchase of 34 aircraft. The term of the lease is 12 years. The finance lease liabilities are secured by these 34 aircraft leased (2014: 28 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.

## 14. Share capital

	30 September 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000
Authorised, issued and fully paid up share capital (of 4,666,700 thousand shares of AED 1 each)	<u>4,666,700</u>	<u>4,666,700</u>

# Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information  
for the nine month period ended 30 September 2015

## 15. Related party balances

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
<b>Due from related parties</b>		
Receivable from associate and joint ventures	21,510	48,298

	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
<b>Due to related parties</b>		
Payable to joint ventures and others	12,653	7,040

## 16. Other (expenses) / income (net)

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	2015 (audited) AED'000	2014 (Unaudited) AED'000	2015 (audited) AED'000	2014 (Unaudited) AED'000
Unrealised loss on derivative financial instruments classified as cash flow hedge	(29,553)	(68,940)	(1,733)	(32,152)
Management fees	4,106	2,011	7,877	6,368
Gain on fair valuation of investment in joint venture acquired	-	-	-	4,614
Insurance commission	805	762	2,759	2,759
Gain on disposal of available-for-sale investments	-	-	-	12,096
Reversal of an expense charged by a related party	-	-	9,058	-
Others	12,128	13,808	(1,135)	49,930
	<u>(12,514)</u>	<u>(52,359)</u>	<u>16,826</u>	<u>43,615</u>

# Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information  
for the nine month period ended 30 September 2015

## 17. Basic earnings per share

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2015 (audited)</b>	<b>2014 (unaudited)</b>	<b>2015 (audited)</b>	<b>2014 (unaudited)</b>
Profit attributable to the owners of the Company (in AED'000)	<u>225,473</u>	<u>247,359</u>	<u>449,850</u>	<u>488,274</u>
Number of shares (in'000)	<u>4,666,700</u>	<u>4,666,700</u>	<u>4,666,700</u>	<u>4,666,700</u>
Basic earnings per share (in AED)	<u>0.05</u>	<u>0.05</u>	<u>0.10</u>	<u>0.10</u>

## 18. Operating aircraft lease commitments

### 18.1 Where the Group is a lessee:

	<b>Nine month period ended</b>	
	<b>30 September 2015 (unaudited) AED '000</b>	<b>30 September 2014 (unaudited) AED '000</b>
Minimum lease payment under operating leases (excluding variable lease rental on the basis of flying hours) recognised in the profit and loss for the period	<u>46,253</u>	<u>102,500</u>

The lease commitments for aircraft were as follows:

	<b>30 September 2015 (unaudited) AED '000</b>	<b>31 December 2014 (audited) AED '000</b>
Within one year	<u>14,167</u>	<u>52,386</u>
Between two and five years	<u>-</u>	<u>7,068</u>
	<u>14,167</u>	<u>59,454</u>

### 18.2 Where the Group is a lessor:

The Group has leased out 6 (2014: 4) aircraft under non-cancellable operating lease agreements to the related parties.

*Minimum lease payments:*

The leases have varying terms and renewal rights. The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting dates but not recognised as receivables, are as follows:

# Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information  
for the nine month period ended 30 September 2015

## 18. Operating lease arrangements

18.2 Where the Group is a lessor (continued):

	<b>30 September 2015 (unaudited) AED '000</b>	31 December 2014 (audited) AED '000
Within one year	62,695	33,580
Between two and five years	60,082	17,111
	<u>122,777</u>	<u>50,691</u>

The carrying amount of the leased aircraft owned by the Group under operating leases at the reporting date are as follows.

	<b>30 September 2015 (unaudited) AED '000</b>	31 December 2014 (audited) AED '000
Net book value	<u>699,808</u>	<u>492,010</u>
Accumulated depreciation	<u>268,901</u>	<u>148,488</u>
Depreciation charge for the period/year	<u>38,661</u>	<u>34,177</u>

## 19. Contingent liabilities

	<b>30 September 2015 (unaudited) AED '000</b>	31 December 2014 (audited) AED '000
Letters of credit	10,677	27,862
Letters of guarantee	<u>31,972</u>	<u>30,666</u>

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  
for the nine month period ended 30 September 2015

## 20. Capital commitments

The Group has entered into the following capital commitments:

	30 September 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000
<i>Authorised and contracted:</i>		
Aircraft fleet	1,579,202	3,151,956
<i>Authorised but not contracted:</i>		
Aircraft fleet	1,422,807	1,422,807

## 21. Segment information

Nine month period ended 30 September 2015 (unaudited)	Airline AED '000	Other segments AED '000	Eliminations AED '000	Total AED '000
<b>Revenue</b>				
External sales	2,711,563	157,817	-	2,869,380
Inter-segment sales		8,533	(8,533)	-
Total revenue	<u>2,711,563</u>	<u>166,350</u>	<u>(8,533)</u>	<u>2,869,380</u>
<b>Result</b>				
Segment result	397,269	55,644	-	452,913
Finance cost	(53,653)	-	-	(53,653)
Interest income from bank deposits and other income	71,558	3,108	-	74,666
Share of loss on equity accounted entities				(2,326)
<b>Profit for the period</b>				<u>471,600</u>
<b>Other information</b>				
Additions to property and equipment and deferred charges	1,067,967	14,976	-	1,082,943
Depreciation and amortization	283,582	3,897	-	287,479
<b>At 30 September 2015 (unaudited)</b>				
<b>Assets</b>				
Segment assets	8,836,721	235,737	(114,742)	8,957,716
Unallocated Group assets				2,335,211
Total assets				<u>11,292,927</u>
<b>Liabilities</b>				
Segment liabilities	6,297,096	78,476	(114,742)	6,260,830

# Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information  
for the nine month period ended 30 September 2015

## 21. Segment information (continued)

Primary reporting format - business segments (continued)

Nine month period ended  
30 September 2014  
(unaudited)

	Airline AED '000	Other segments AED '000	Eliminations AED '000	Total AED'000
<b>Revenue</b>				
External sales	2,687,871	116,749	-	2,804,620
Inter-segment sales	-	3,275	(3,275)	-
	-----	-----	-----	-----
Total revenue	2,687,871	120,024	(3,275)	2,804,620
	=====	=====	=====	=====
<b>Result</b>				
Segment result	394,416	41,879	-	436,295
Finance cost	(45,627)	-	-	(45,627)
Interest income from bank deposits and other income	87,963	3,760	-	91,723
Share of profit on equity accounted entities				15,987
				-----
<b>Profit for the period</b>				498,378
				=====
<b>Other information</b>				
Additions to property and equipment and deferred charges	1,244,588	9,677	-	1,254,265
Depreciation and amortization	217,035	2,733	-	219,768
<b>At 30 September 2014 (unaudited)</b>				
<b>Assets</b>				
Segment assets	8,124,647	201,257	(85,211)	8,240,693
	-----	-----	-----	-----
Unallocated Group assets				2,129,844
				-----
Total assets				10,370,537
				=====
<b>Liabilities</b>				
Segment liabilities	4,672,510	79,471	(85,211)	4,666,770
	=====	=====	=====	=====

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 2014. 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, investments, investment properties and investment in subsidiaries, joint ventures and associate. Goodwill and intangible assets have been allocated to the Airline segment.

# Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information  
*for the nine month period ended 30 September 2015*

## **22. Dividend**

At the Annual General Meeting held on 10 March 2015, the shareholders approved a cash dividend of AED 420,003,000 at AED 9 fils per share.

## **23 Comparative figures**

Comparative information has been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported profit, net assets or equity of the Group.