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 2012 to 30 September 2012

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 2012 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
12 November 2012

Condensed consolidated statement of financial position
At 30 September 2012

	Notes	30 September 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
ASSETS			
Non-current assets			
Property and equipment		**3,008,063**	2,423,132
Advance for new aircraft		**690,337**	596,935
Investment properties	**4**	**163,835**	164,397
Intangible assets		**1,092,347**	1,092,347
Goodwill		**189,474**	189,474
Deferred charges		**6,788**	11,088
Aircraft lease deposits		**15,809**	28,733
Available-for-sale investments	**5**	**755,532**	733,021
Trade and other receivables		**43,460**	2,566
Total non-current assets		**5,965,645**	5,241,693
Current assets			
Inventories		**11,279**	9,092
Due from related parties		**66,024**	102,329
Trade and other receivables		**452,540**	416,200
Bank balances and cash	**6**	**1,398,679**	1,344,900
Total current assets		**1,928,522**	1,872,521
Total assets		**7,894,167**	7,114,214

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

Condensed consolidated statement of financial position
At 30 September 2012 (continued)

	Notes	30 September 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	**4,666,700**	4,666,700
Statutory reserve		**180,382**	180,382
General reserve		**123,605**	180,382
Cumulative change in fair values		**55,319**	(9,834)
Retained earnings		**338,534**	223,255
Equity attributable to owners of the Company		**5,364,540**	5,240,885
Non-controlling interests		**9,386**	8,552
Total equity		**5,373,926**	5,249,437
Non-current liabilities			
Provision for employees' end of service indemnity		**42,752**	36,987
Trade and other payables		**48,133**	42,425
Murabaha payable	8	**-**	32,285
Finance lease liabilities	9	**1,173,773**	865,165
Total non-current liabilities		**1,264,658**	976,862
Current liabilities			
Due to related parties		**13,552**	22,576
Deferred income		**198,445**	157,300
Trade and other payables		**912,374**	606,858
Murabaha payable	8	**32,285**	32,285
Finance lease liabilities	9	**98,927**	68,896
Total current liabilities		**1,255,583**	887,915
Total liabilities		**2,520,241**	1,864,777
Total equity and liabilities		**7,894,167**	7,114,214

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 2012 to 30 September 2012

	Notes	Three month period ended 30 September 2012 AED'000	Three month period ended 30 September 2011 AED '000	Nine month period ended 30 September 2012 AED '000	Nine month period ended 30 September 2011 AED '000
Revenue		**836,234**	701,824	**2,187,727**	1,807,270
Direct costs		**(610,999)**	(540,777)	**(1,763,384)**	(1,543,725)
Gross profit		**225,235**	161,047	**424,343**	263,545
Selling and marketing expenses		**(17,179)**	(6,766)	**(48,034)**	(22,501)
General administrative expenses		**(48,974)**	(22,808)	**(103,107)**	(76,747)
Profit on bank deposits		**14,271**	10,610	**42,456**	42,229
Finance costs		**(8,421)**	(6,078)	**(24,250)**	(13,668)
Other income/(expenses)	**10**	**61,417**	(35,775)	**50,380**	2,271
Profit for the period		**226,349**	100,230	**341,788**	195,129
Attributable to:					
Owners of the Company		**225,810**	99,303	**338,504**	191,615
Non-controlling interests		**539**	927	**3,284**	3,514
		226,349	100,230	**341,788**	195,129
Basic earnings per share (in AED)	**11**	**0.05**	0.02	**0.07**	0.04

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 2012 to 30 September 2012

	Three month period ended 30 September		Nine month period ended 30 September	
	2012	2011	**2012**	2011
	AED '000	AED '000	**AED '000**	AED '000
Profit for the period	**226,349**	100,230	**341,788**	195,129
Other comprehensive (loss)/income				
Net gain/(loss) on revaluation of available-for-sale investments	**1,386**	(25,300)	**66,170**	(13,986)
Reclassification adjustment relating to available-for-sale investments impaired during the period	**-**	-	**4,800**	-
Transfer to statement of income on sale of available-for-sale investments	**(5,817)**	-	**(5,817)**	-
Board of Directors' remuneration	**-**	-	**-**	(1,925)
Other comprehensive (loss)/income for the period	**(4,431)**	(25,300)	**65,153**	(15,911)
Total comprehensive income for the period	**221,918**	74,930	**406,941**	179,218
Attributable to:				
Owners of the Company	**221,379**	74,003	**403,657**	175,704
Non-controlling interests	**539**	927	**3,284**	3,514
	221,918	74,930	**406,941**	179,218

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 2012 to 30 September 2012

	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 Owners of the Company AED '000	Non-controlling interests AED '000	Total AED '000
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 (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
Balance at 31 December 2011 (audited)	4,666,700	180,382	180,382	(9,834)	223,255	5,240,885	8,552	5,249,437
Profit for the period	-	-	-	-	338,504	338,504	3,284	341,788
Other comprehensive income for the period	-	-	-	65,153	-	65,153	-	65,153
Total comprehensive income for the period	-	-	-	65,153	338,504	403,657	3,284	406,941
Transfer to retained earnings (Note 12)	-	-	(56,777)	-	56,777	-	-	-
Dividend (Note 12)	-	-	-	-	(280,002)	(280,002)	(2,450)	(282,452)
Balance at 30 September 2012 (unaudited)	**4,666,700**	**180,382**	**123,605**	**55,319**	**338,534**	**5,364,540**	**9,386**	**5,373,926**

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 2012 to 30 September 2012

	Nine month period ended 30 September	
	2012	2011
	AED '000	AED '000
Cash flows from operating activities		
Profit for the period	**341,788**	195,129
Adjustment for:		
Depreciation of property and equipment – net	**118,036**	70,912
Depreciation of investment properties	**562**	562
Amortisation of deferred charges	**4,474**	5,548
Impairment loss on available-for-sale investments	**4,800**	-
Dividend income	**(34,894)**	-
Share of net losses in associates	**26,684**	5,801
Unrealised (gain)/loss on derivative financial instruments	**(23,760)**	20,925
Profit on sale of available-for-sale investments	**(5,817)**	-
Profit on bank deposits	**(42,456)**	(42,229)
Rental income	**(4,145)**	(4,685)
Finance costs	**24,250**	13,668
Operating cash flows before changes in operating assets and liabilities	**409,522**	265,631
Increase in margin deposits	**(175)**	(338)
Increase in trade and other receivables	**(53,474)**	(141,660)
Increase in inventories	**(2,187)**	(2,095)
Decrease/(increase) in due from related parties	**36,305**	(63,351)
Increase in trade and other payables	**306,579**	94,959
Increase/(decrease) in deferred income	**41,145**	(5,107)
(Decrease)/increase in due to related parties	**(9,024)**	2,632
Decrease in aircraft lease deposits	**12,924**	-
Cash generated from operating activities	**741,615**	150,671
Net movement in employees' end of service indemnity	**5,765**	5,757
Finance cost paid	**(18,999)**	(13,668)
Net cash from operating activities	**728,381**	142,760

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 2012 to 30 September 2012 (continued)

	Nine month period ended 30 September	
	2012	2011
	AED '000	AED '000
Cash flows from investing activities		
Purchase of property and equipment - net	**(87,773)**	(80,043)
Proceeds on disposal of property and equipment	**427**	-
Proceeds/(purchase of) from available-for-sale investments	**43,659**	(260)
Decrease/(increase) in fixed deposits	**81,487**	(87,513)
Increase in deferred charges - net	**(174)**	(241)
Increase in advance for new aircraft	**(323,939)**	(229,729)
Dividend received	**34,894**	-
Profit on bank deposits received	**42,456**	42,229
Rental income	**4,145**	4,685
Payments for investment in associates	**(26,684)**	(5,801)
Net cash used in investing activities	**(231,502)**	(356,673)
Cash flows from financing activities		
Dividend paid - subsidiary	**(2,450)**	(2,450)
Dividend paid	**(280,002)**	(373,336)
Decrease in other payables	**(606)**	(247)
Repayment of Murabaha payable	**(32,285)**	(32,028)
Repayment of finance lease liabilities	**(46,445)**	(17,444)
Board of Director's remuneration paid	**-**	(1,925)
Net cash used in financing activities	**(361,788)**	(427,430)
Net increase/(decrease) in cash and cash equivalents	**135,091**	(641,343)
Cash and cash equivalents at the beginning of the period	**171,162**	838,529
Cash and cash equivalents at the end of the period (Note 13)	**306,253**	197,186

Following transactions for the nine month period ended 30 September 2012 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 230,537 thousand (2011: AED 122,133 thousand) has been adjusted with the purchase of four (2011: four) aircraft.

- Obligations under finance lease liabilities against 3 (2011: 4) aircraft obtained during the period amounting to AED 385,084 thousand (2011: 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 2012 to 30 September 2012

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 3.5).

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 and its subsidiaries (together referred to as the "Group") are international commercial air transportation, aircraft trading, aircraft rental, aircraft rent, aircraft spare parts trading, travel and tourist agencies, hotels, hotel apartment rentals, airlines companies representative office, passengers transport, cargo services, air cargo agents, documents transfer services, telecommunications devices trading, aviation training and aircraft repairs and maintenance.

2. Standards and Interpretations in issue but not yet effective and not early adopted

The Group has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

New and revised IFRSs	**Effective for annual periods beginning on or after**
• Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards relating to accounting for government loans at below market interest rate.	1 January 2013
• Amendments to IFRS 9 require all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value.	1 January 2015
• IFRS 10 *Consolidated Financial Statements** uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly IAS 27 *Separate Financial Statements** and IAS 28 *Investments in Associates and Joint Ventures** have been amended for the issuance of IFRS 10.	1 January 2013
• IFRS 11 *Joint Arrangements** establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.	1 January 2013
• IFRS 12 *Disclosure of Interests in Other Entities** combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure Standard.	1 January 2013

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 10, IFRS 11 and IFRS 12 transition guidance issued in June 2012.	When IFRS 10, IFRS 11 and IFRS 12 are first adopted
• IFRS 13 *Fair Value Measurement* issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.	1 January 2013
• Amendments to IAS 1 – *Presentation of Other Comprehensive Income*. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	1 July 2012
• Annual Improvements 2009 – 2011 Cycle covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.	1 January 2013
• Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.	1 January 2013
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.*	1 January 2013
• Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.	1 January 2013
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	1 January 2015 (or otherwise when IFRS 9 is first applied)

*In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2013 or as and when they are applicable and adoption of these new standards, interpretations and amendments 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 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 2011.

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 2011. In addition, results for the nine month period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The accounting policies in respect of available-for-sale (AFS) investments, investment properties 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:

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. Summary of significant accounting policies (continued)

3.3 Investment properties

Investment properties are accounted under the cost model of IAS 40. Investment properties, which are properties 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 existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of investment properties.

Investment properties under development that are being constructed or developed for future use as investments properties are measured initially at cost including all direct costs attributable to the design and construction of the property including related staff costs. Upon completion of construction or development, such properties are transferred to investment properties. Depreciation of these assets, on the same basis as other investment properties, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of investment properties, other than land and investment properties under progress, 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 the profit and loss in the period of retirement or disposal.

3.4 Property and equipment

Land granted by the Government of Sharjah and acquired in the acquisition of Radisson Blu Hotel and Resort 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.

Depreciation is recognised so as to write off the cost 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.

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

3. Summary of significant accounting policies (continued)

3.4 Property and equipment (continued)

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

	Years
Building and apartment	15-20
Aircraft	15
Aircraft engines	20
Aircraft rotables and equipment	3 - 10
Airport equipments and vehicles	3 - 15
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 2012 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of legal ownership interest	Proportion of voting power held	Principal activity
COZMO Travel L.L.C.	Sharjah - U.A.E.	51%	51%	Travel, travel and tours, tourism and cargo services.
COZMO Travel W.L.L.	Doha – Qatar	51%	100%	Travel, travel and tours, tourism and cargo services.

Red Marketing Communications (FZE) ceased operations and was liquidated during the period. COZMO Travel L.L.C., U.A.E. holds the remaining equity in COZMO Travel W.L.L., Qatar, beneficially through nominee arrangements.

4. Investment properties

Investment properties comprise of a building constructed by the Group on a plot of land, adjacent to Sharjah International Airport, granted by the Government of Sharjah and a building under construction located within U.A.E.

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

5. Available-for-sale investments

	30 September 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Quoted	**6,973**	6,254
Unquoted	**748,559**	726,767
	755,532	733,021
In U.A.E.	**388,217**	365,706
In other G.C.C. countries	**367,315**	367,315
	755,532	733,021

6. Bank balances and cash

	30 September 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Bank balances:		
Current accounts	**130,289**	144,516
Call deposits	**78,815**	25,294
Fixed deposits	**1,185,084**	1,171,483
Margin deposits	**2,430**	2,255
Total bank balances	**1,396,618**	1,343,548
Cash on hand	**2,061**	1,352
Total bank balances and cash	**1,398,679**	1,344,900
Bank balances:		
In U.A.E.	**1,385,552**	1,300,090
In other G.C.C. countries	**11,066**	43,458
Total bank balances	**1,396,618**	1,343,548

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

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

7. Share capital

	30 September 2012 (unaudited) AED ’000	31 December 2011 (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 entered into a Murabaha agreement with a bank to finance the purchase of 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. Murabaha payable is due for settlement within twelve months from the reporting date.

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 eleven aircraft. The term of the lease is 12 years. The finance lease liabilities are secured by the eleven (2011: eight) aircraft leased.

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 income/(expenses)

Other income/(expenses) includes unrealised gain on derivative financial instruments amounting to AED 23,760 thousand (9 month period ended 30 September 2011: loss amounting to AED 20,925 thousand) and also includes share of losses from investment in associates.

11. Basic earnings per share

	Three month period ended 30 September		**Nine month period ended 30 September**	
	2012 (unaudited)	2011 (unaudited)	**2012 (unaudited)**	2011 (unaudited)
Profit for the period (in AED ’000)	**225,810**	99,303	**338,504**	191,615
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**	0.02	**0.07**	0.04

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

12. Dividend

At the Annual General Meeting held on 9 April 2012, the Shareholders approved a cash dividend of 6% amounting to AED 280,002 thousand for 2011 (2010: cash dividend of 8% amounting to AED 373,336 thousand). The Shareholders also approved transfer of AED 56,777 thousand from general reserve to retained earnings.

13. Cash and cash equivalents

	30 September	
	2012	2011
	(unaudited)	(unaudited)
	AED '000	AED '000
Bank balances and cash	**1,398,679**	1,291,071
Fixed deposits being maturity over three months	**(1,089,996)**	(1,092,147)
Margin deposits	**(2,430)**	(1,738)
	306,253	197,186

14. Operating aircraft lease commitments

	30 September	31 December
	2012	2011
	(unaudited)	(audited)
	AED '000	AED '000
a) Where the Group is a lessee:		
Within one year	**196,189**	248,465
In the second to fifth years inclusive	**216,032**	354,087
	412,221	602,552
b) Where the Group is a lessor:		
Within one year	**85,497**	66,705
In the second to fifth years inclusive	**78,558**	107,294
	164,055	173,999

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

15. Contingent liabilities

	30 September 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Letters of credit	**75,058**	64,147
Letters of guarantee	**16,963**	13,944

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 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Authorised and contracted:		
Aircraft fleet	**8,390,106**	10,373,714
Others	**-**	23,638
	8,390,106	10,397,352
Authorised but not contracted:		
Aircraft fleet	**1,422,807**	1,422,807

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 33 aircraft order was approximately USD 2.4 billion (AED: 9.1 billion) (31 December 2011: 36 aircrafts, USD 2.9 billion (AED 11 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 33 (2011: 36) 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 2012 to 30 September 2012 (continued)

17. Investment in associates

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

Name of associate	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activities
Air Arabia Maroc, S.A.	Morocco	40%	40%	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	
	2012 (unaudited) AED '000	2011 (unaudited) AED '000	**2012 (unaudited) AED '000**	2011 (unaudited) AED '000
Rental income from investment property	**825**	825	**2,475**	2,475
Rental income from operating lease – aircraft	**22,317**	24,921	**60,520**	69,545
Management fees	**1,908**	1,691	**5,262**	5,213
Board of Director's remuneration	**-**	-	**-**	1,925
Board of Director's fees	**-**	-	**1,295**	-

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 financial statements. Segment revenue does not include the Group's share of external revenue of joint ventures, amounting to AED 91,212 thousand (9 month period ended 30 September 2011: AED 86,212 thousand), as the share of their results have been disclosed separately as unallocated under segment result. Segment result represents the profit earned by each segment without considering unallocated costs, shares of profits in joint ventures, share of losses in associates, profit from bank deposits and other income. Segment assets do not include fixed deposits, available-for-sale investments, derivative financial instruments and the Group's share of assets in joint ventures and associates. Goodwill and intangible assets have been allocated to Airline segment. Segment liabilities do not include Group's share of liabilities in joint ventures.

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

19. Segment information (continued)

Primary reporting format – business segments

30 September 2012 (unaudited)	Airline	Other segments	Eliminations	Total
	AED '000	AED '000	AED '000	AED '000
Revenue				
External sales	2,041,720	54,795	-	2,096,515
Inter-segment sales	-	5,648	(5,648)	-
Total revenue	2,041,720	60,443	(5,648)	2,096,515
Result				
Segment result	272,017	19,952	-	291,969
Finance costs				(24,250)
Share of losses in associates				(26,684)
Share of results in joint ventures				20,029
Profit from bank deposits and other income				80,724
Profit for the period				341,788
Other information				
Additions to property and equipment and deferred charges	698,945	507	-	699,452
Depreciation and amortisation	98,094	19,742	-	117,836

30 September 2012 (unaudited)	Airline	Other segments	Eliminations	Total
Assets				
Segment assets	5,126,939	659,588	(26,351)	5,760,176
Unallocated Group assets				2,133,991
Total Assets				7,894,167
Liabilities				
Segment liabilities	2,436,819	84,409	(26,351)	2,494,877
Unallocated Group liabilities				25,364
Total Liabilities				2,520,241

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 30 September 2012 (continued)

19. Segment information (continued)

Primary reporting format – business segments (continued)

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	130,663	5,417	-	136,080
Finance costs				(13,668)
Share of losses in associates				(5,801)
Share of results in joint ventures				16,482
Profit from bank deposits and other income				62,036
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
31 December 2011 (audited)				
Assets				
Segment assets	4,373,438	650,166	(10,925)	5,012,679
Unallocated Group assets				2,101,535
Total Assets				7,114,214
Liabilities				
Segment liabilities	1,741,503	111,857	(10,925)	1,842,435
Unallocated Group liabilities				22,342
Total Liabilities				1,864,777

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 12 November 2012.