

**Jazeera Airways K.S.C  
Kuwait**

**Interim Consolidated Financial Information (Unaudited)  
and  
Independent Auditors' Review Report  
30 September 2010**

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Jazeera Airways K.S.C.  
Kuwait

#### INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

#### Report on Review of Interim Consolidated Financial Information

##### Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Jazeera Airways K.S.C. ("the Ultimate Parent Company") and its subsidiaries' (together called "the Group") as at 30 September 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

##### Scope of Review

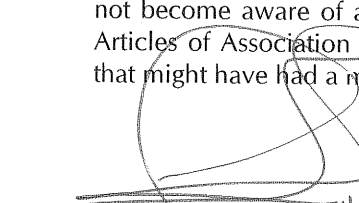
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 - Interim Financial Reporting.

#### Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim consolidated financial information is in agreement with the books of account of the Ultimate Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Ultimate Parent Company during the nine month period ended 30 September 2010, that might have had a material effect on the business of the Group or on its financial position.

  
Bader A. Al-Wazzan  
Licence No. 62A  
Deloitte & Touche  
Al-Fahad, Al-Wazzan & Co.

  
Nasser Abdullah Al Muqait  
R.A.A. No. 9A  
Al Ahli Bureau

Condensed Consolidated Statement of Financial Position (Unaudited) as at 30 September 2010

|   |    | Kuwaiti Dinars       |                     |                      |
|---|----|----------------------|---------------------|----------------------|
|   |    | 30 September<br>2010 | 31 December<br>2009 | 30 September<br>2009 |
|   |    | (Unaudited)          | (Audited)           | (Unaudited)          |
| <b>ASSETS</b>   |    |                      |                     |                      |
| <b>Non-current Assets</b>                                     |    |                      |                     |                      |
| Property and equipment  | 4  | 158,779,226          | 26,895,107          | 5,013,999            |
| Due from a related party                                      |    | -                    | 28,558,252          | 31,508,232           |
| Goodwill  | 19 | 3,443,481            | -                   | -                    |
|   |    | <u>162,222,707</u>   | <u>55,453,359</u>   | <u>36,522,231</u>    |
| <b>Current Assets</b>   |    |                      |                     |                      |
| Non current assets classified as held for sale                |    | -                    | -                   | 22,736,643           |
| Due from a related party                                      |    | -                    | 12,879,103          | 11,259,229           |
| Deposits  | 5  | 637,978              | -                   | -                    |
| Inventories, expendable parts and supplies                    |    | 204,242              | 161,601             | 142,335              |
| Trade and other receivables                                   |    | 1,480,401            | 1,932,088           | 1,909,865            |
| Cash and bank balances  | 6  | 5,544,890            | 3,311,644           | 2,610,740            |
|   |    | <u>7,867,511</u>     | <u>18,284,436</u>   | <u>38,658,812</u>    |
| <b>Total assets</b>   |    | <u>170,090,218</u>   | <u>73,737,795</u>   | <u>75,181,043</u>    |
| <b>LIABILITIES AND EQUITY</b>                                 |    |                      |                     |                      |
| <b>Equity</b>   |    |                      |                     |                      |
| <b>Attributable to Ultimate Parent Company's shareholders</b> |    |                      |                     |                      |
| Share capital   | 7  | 22,000,000           | 21,998,746          | 21,998,746           |
| Legal reserve   |    | 801,461              | 801,461             | 801,461              |
| Equity transaction costs                                      |    | (46,079)             | (46,079)            | (46,079)             |
| (Accumulated deficit)/ retained earnings                      |    | (8,041,222)          | (3,233,317)         | 3,495,469            |
| Foreign currency translation reserve                          |    | (1,087,772)          | -                   | -                    |
|   |    | <u>13,626,388</u>    | <u>19,520,811</u>   | <u>26,249,597</u>    |
| <b>Non-controlling interests</b>                              |    | 289                  | 348                 | 276                  |
| <b>Total equity</b>   |    | <u>13,626,677</u>    | <u>19,521,159</u>   | <u>26,249,873</u>    |
| <b>Non-current liabilities</b>                                |    |                      |                     |                      |
| Term loans  | 8  | 74,320,414           | 13,772,274          | -                    |
| Post employment benefits                                      |    | 1,075,181            | 1,225,078           | 1,109,865            |
| Aircraft lease maintenance provision                          | 9  | 5,893,663            | 3,531,771           | 2,536,791            |
| Deposits  |    | 1,138,000            | -                   | -                    |
| Due to a related party  | 10 | 7,491,721            | -                   | -                    |
| Deferred purchase consideration                               | 19 | 25,552,421           | -                   | -                    |
|   |    | <u>115,471,400</u>   | <u>18,529,123</u>   | <u>3,646,656</u>     |
| <b>Current liabilities</b>                                    |    |                      |                     |                      |
| Term loans  | 8  | 7,880,749            | 1,372,556           | 16,481,239           |
| Due to banks  | 11 | 12,817,951           | 12,336,552          | 11,310,616           |
| Trade and other payables                                      |    | 10,618,294           | 13,197,064          | 9,063,984            |
| Deferred revenue  |    | 9,675,147            | 8,781,341           | 8,428,675            |
|   |    | <u>40,992,141</u>    | <u>35,687,513</u>   | <u>45,284,514</u>    |
| <b>Total liabilities and equity</b>                           |    | <u>170,090,218</u>   | <u>73,737,795</u>   | <u>75,181,043</u>    |

The accompanying notes are an integral part of this interim consolidated financial information.



Marwan Marzouk Boodai  
Chairman

Condensed Consolidated Statement of Income (Unaudited) -  
Nine months ended 30 September 2010

|      |  | Kuwaiti Dinars                                    |                  |  |                    |
|------|--|---|------------------|--|--------------------|
|      |  | Three months ended<br>30 September<br>(Unaudited) |                  | Nine months ended<br>30 September<br>(Unaudited) |                    |
| Note |  | 2010  | 2009             | 2010   | 2009               |
|      | Revenue  | 14,046,185  | 15,919,239       | 31,847,482                                       | 35,992,733         |
|      | Operating costs  | (9,453,093)                                       | (14,288,645)     | (30,402,834)                                     | (36,197,442)       |
|      | <b>Operating profit/ (loss)</b>                                | <b>4,593,092</b>                                  | <b>1,630,594</b> | <b>1,444,648</b>                                 | <b>(204,709)</b>   |
|      | Other income   | 173,230   | 410,636          | 957,655  | 2,395,036          |
|      | Administrative expenses  | (1,166,475)                                       | (982,356)        | (3,124,737)                                      | (3,098,012)        |
|      | Restructuring costs  | 12 (277,825)                                      | -                | (1,645,290)                                      | -                  |
|      | Finance costs  | (1,249,313)                                       | (331,397)        | (3,463,034)                                      | (1,126,671)        |
|      | Foreign exchange gain  | 2,340,411   | 35,268           | 1,022,853  | 559,322            |
|      | <b>Profit/ (loss) for the period</b>                           | <b>4,413,120</b>                                  | <b>762,745</b>   | <b>(4,807,905)</b>                               | <b>(1,475,034)</b> |
|      | <b>Attributable to:</b>  |   |                  |  |                    |
|      | Shareholders of the Ultimate Parent Company                    | <u>4,413,120</u>                                  | <u>762,745</u>   | <u>(4,807,905)</u>                               | <u>(1,475,034)</u> |
|      | <b>Earnings/ (loss) per share (fils) - Basic &amp; Diluted</b> | <u>13 20.06</u>                                   | <u>3.47</u>      | <u>(21.85)</u>                                   | <u>(6.71)</u>      |

The accompanying notes are an integral part of this interim consolidated financial information.

Condensed Consolidated Statement of Comprehensive Income (Unaudited) -  
Nine months ended 30 September 2010

|   | Kuwaiti Dinars     |                |                    |                    |
|---|--------------------|----------------|--------------------|--------------------|
|   | Three months ended |                | Nine months ended  |                    |
|   | 30 September       |                | 30 September       |                    |
|   | (Unaudited)        |                | (Unaudited)        |                    |
|   | 2010               | 2009           | 2010               | 2009               |
| Profit/ (loss) for the period                               | 4,413,120          | 762,745        | (4,807,905)        | (1,475,034)        |
| Exchange differences on translating foreign operation       | (1,068,802)        | -              | (1,087,772)        | -                  |
| <b>Total comprehensive income/ (expense) for the period</b> | <b>3,344,318</b>   | <b>762,745</b> | <b>(5,895,677)</b> | <b>(1,475,034)</b> |

The accompanying notes are an integral part of this interim consolidated financial information.

Condensed Consolidated Statement of Changes in Equity (Unaudited) - Nine months ended 30 September 2010

|  | Kuwaiti Dinars  |               |                          |  |                                      |                   |             | Total equity |
|--|---|---------------|--------------------------|--|--------------------------------------|-------------------|-------------|--------------|
|  | Equity attributable to the Ultimate Parent Company's Shareholders |               |                          |  |                                      |                   |             |              |
|  | Share capital   | Legal reserve | Equity transaction costs | Retained earnings/ (accumulated deficit) | Foreign currency translation reserve | Minority interest |             |              |
| At 1 January 2009                          | 19,998,860  | 801,461       | (46,079)                 | 6,970,389                                | -                                    | 276               | 27,724,907  |              |
| Issue of bonus shares                      | 1,999,886   | -             | -                        | (1,999,886)                              | -                                    | -                 | -           |              |
| Total comprehensive expense for the period | -   | -             | -                        | (1,475,034)                              | -                                    | -                 | (1,475,034) |              |
| At 30 September 2009                       | 21,998,746  | 801,461       | (46,079)                 | 3,495,469                                | -                                    | 276               | 26,249,873  |              |
| At 1 January 2010                          | 21,998,746  | 801,461       | (46,079)                 | (3,233,317)                              | -                                    | 348               | 19,521,159  |              |
| Disposal during the period (net)           | -   | -             | -                        | -  | -                                    | (59)              | (59)        |              |
| Sale of fractional shares                  | 1,254   | -             | -                        | -  | -                                    | -                 | 1,254       |              |
| Total comprehensive expense for the period | -   | -             | -                        | (4,807,905)                              | (1,087,772)                          | -                 | (5,895,677) |              |
| At 30 September 2010                       | 22,000,000  | 801,461       | (46,079)                 | (8,041,222)                              | (1,087,772)                          | 289               | 13,626,677  |              |

The accompanying notes are an integral part of this interim consolidated financial information.

