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

Review report and consolidated interim financial information for the period from 1 January 2011 to 31 March 2011

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

Contents

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REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of Directors
Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
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 31 March 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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

Samir Madbak
Registration No. 386
4 May 2011

Condensed consolidated statement of financial position
At 31 March 2011

	Notes	31 March 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
ASSETS			
Non-current assets			
Property and equipment		**1,503,035**	1,195,499
Advance for new aircraft		**613,635**	593,213
Investment property	**4**	**49,165**	49,352
Intangible assets		**1,092,347**	1,092,347
Goodwill		**189,474**	189,474
Deferred charges		**16,063**	18,042
Aircraft lease deposits		**34,216**	34,216
Available-for-sale investments	**5**	**761,278**	756,395
Trade and other receivables		**25,987**	15,395
Total non-current assets		**4,285,200**	3,943,933
Current assets			
Inventories		**6,823**	6,437
Due from related parties		**32,898**	28,435
Trade and other receivables		**590,134**	546,630
Bank balances and cash	**6**	**1,826,167**	1,844,563
Total current assets		**2,456,022**	2,426,065
Total assets		**6,741,222**	6,369,998

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

Condensed consolidated statement of financial position
At 31 March 2011 (continued)

	Notes	31 March 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	4,666,700	4,666,700
Statutory reserve	8	153,475	153,475
General reserve	9	153,475	153,475
Cumulative change in fair values		18,683	13,800
Retained earnings		50,702	383,259
Attributable to equity holders of the parent company		5,043,035	5,370,709
Non-controlling interests		5,332	6,220
Total equity		5,048,367	5,376,929
Non-current liabilities			
Provision for employees' end of service indemnity		30,976	29,273
Trade and other payables		29,978	30,104
Finance lease liabilities		442,829	214,303
Total non-current liabilities		503,783	273,680
Current liabilities			
Due to related parties		7,239	13,348
Deferred income		179,472	148,560
Trade and other payables		969,379	541,396
Finance lease liabilities		32,982	16,085
Total current liabilities		1,189,072	719,389
Total liabilities		1,692,855	993,069
Total equity and liabilities		6,741,222	6,369,998

Chairman | Chief Executive Officer | Director of Finance

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

Condensed consolidated statement of income (unaudited)
for the period from 1 January 2011 to 31 March 2011

	Notes	Three month period ended 31 March 2011 AED '000	2010 AED '000
Revenue		**513,218**	482,054
Direct costs		**(478,026)**	(432,178)
Gross profit		**35,192**	49,876
Selling and marketing expenses		**(7,774)**	(10,135)
General and administrative expenses		**(26,457)**	(23,506)
Profit on bank deposits		**19,167**	32,999
Other income	**10**	**24,138**	946
Profit for the period		**44,266**	50,180
Attributable to:			
Equity holders of the parent company		**42,704**	49,607
Non-controlling interests		**1,562**	573
		44,266	50,180
Basic earnings per share (in AED)	**11**	**0.01**	0.01

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

Condensed consolidated statement of comprehensive income (unaudited)
for the period from 1 January 2011 to 31 March 2011

	Three month period ended 31 March	
	2011	2010
	AED '000	AED '000
Profit for the period	**44,266**	50,180
Other comprehensive income		
Gain on revaluation of available-for-sale investments	**4,883**	67,070
Transfer to statement of income on sale of available-for-sale investments	**-**	295
Board of Directors' remuneration	**(1,925)**	(1,925)
Other comprehensive income for the period	**2,958**	65,440
Total comprehensive income for the period	**47,224**	115,620
Attributable to:		
Equity holders of the parent company	**45,662**	115,047
Non-controlling interests	**1,562**	573
	47,224	115,620

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

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

Condensed consolidated statement of changes in equity for the period from 1 January 2011 to 31 March 2011

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Cumulative change in fair values AED '000	Retained earnings AED '000	Attributable to equity holders of the parent AED '000	Non-controlling interests AED '000	Total AED '000
Balance at 31 December 2009 (audited)	4,666,700	122,896	122,896	(51,405)	607,223	5,468,310	-	5,468,310
Profit for the period	-	-	-	-	49,607	49,607	573	50,180
Other comprehensive income for the period	-	-	-	67,365	(1,925)	65,440	-	65,440
Total comprehensive income for the period	-	-	-	67,365	47,682	115,047	573	115,620
Increase in non-controlling interests	-	-	-	-	-	-	2,450	2,450
Dividend (see Note 12)	-	-	-	-	(466,670)	(466,670)	-	(466,670)
	-	-	-	-	(466,670)	(466,670)	2,450	(464,220)
Balance at 31 March 2010 (unaudited)	4,666,700	122,896	122,896	15,960	188,235	5,116,687	3,023	5,119,710
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	-	-	-	-	42,704	42,704	1,562	44,266
Other comprehensive income for the period	-	-	-	4,883	(1,925)	2,958	-	2,958
Total comprehensive income for the period	-	-	-	4,883	40,779	45,662	1,562	47,224
Dividend (see Note 12)	-	-	-	-	(373,336)	(373,336)	(2,450)	(375,786)
Balance at 31 March 2011 (unaudited)	**4,666,700**	**153,475**	**153,475**	**18,683**	**50,702**	**5,043,035**	**5,332**	**5,048,367**

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

Condensed consolidated statement of cash flows (unaudited)
for the period from 1 January 2011 to 31 March 2011

	Three month period ended 31 March	
	2011	2010
	AED '000	AED '000
Cash flows from operating activities		
Profit for the period	**44,266**	50,180
Adjustments for:		
Depreciation of property and equipment	**19,258**	9,932
Depreciation of investment property	**187**	187
Amortisation/impairment of deferred charges	**2,069**	2,229
Unrealised (gain)/loss on derivative financial instruments	**(25,955)**	949
Share of net losses in associates	**5,801**	8,504
Profit on bank deposits	**(19,167)**	(32,999)
Rental income	**(825)**	(825)
Loss on disposal of available-for-sale investments	**-**	174
Operating cash flows before changes in operating assets and liabilities	**25,634**	38,331
(Increase)/decrease in margin deposits	**(94)**	804
Increase in trade and other receivables	**(28,141)**	(44,450)
Increase in inventories	**(386)**	(148)
Increase in due from related parties	**(4,463)**	(5,254)
Increase/(decrease) in trade and other payables	**54,646**	(32,981)
Increase in deferred income	**30,912**	37,241
(Decrease)/increase in due to related parties	**(6,109)**	130
Cash generated from/(used in) operating activities	**71,999**	(6,327)
Net movement in employees' end of service indemnity	**1,703**	1,573
Net cash from/(used in) operating activities	**73,702**	(4,754)

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

Condensed consolidated statement of cash flows (unaudited) for the period from 1 January 2011 to 31 March 2011 (continued)

	Three month period ended 31 March	
	2011	2010
	AED ’000	AED ’000
Cash flows from investing activities		
Purchase of property and equipment - net	**(18,868)**	(49,349)
Increase in advance for new aircrafts	**(81,450)**	(23,188)
Increase in deferred charges - net	**(90)**	(802)
Payments for investment in associates	**(5,801)**	(9,150)
Proceeds on disposal of available-for-sale investments	**-**	1,903
Decrease/(increase) in fixed deposits	**630,818**	(3,901)
Profit on bank deposits	**19,167**	32,999
Net cash from/(used in) investing activities	**543,776**	(51,488)
Cash flows from financing activities		
Dividends paid – subsidiaries	**(2,450)**	-
Decrease in other payables	**(125)**	-
Repayments of obligations under finance lease	**(1,475)**	-
Rental income	**825**	825
Increase in non-controlling interest	**-**	2,450
Board of Directors’ remuneration paid	**(1,925)**	(1,925)
Net cash (used in)/from financing activities	**(5,150)**	1,350
Net increase/(decrease) in cash and cash equivalents	**612,328**	(54,892)
Cash and cash equivalents at the beginning of the period	**838,529**	421,836
Cash and cash equivalents at the end of the period (Note 13)	**1,450,857**	366,944

Following transactions for the three month period ended 31 March 2011 are not reflected in the condensed consolidated statement of cash flows as those are non-cash transactions.

- Advance paid for purchase of aircraft amounting to AED 61,028 thousand has been adjusted with the purchase of two aircraft.
- Obligations under finance lease against two aircraft obtained during the period amounting to AED 246,898 thousand.
- Dividends payable for the year 2010 included in trade and other payables (Note 12).

Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 31 March 2011

1. General information

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

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

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

The licensed activities of the Company are international commercial air transportation, aircraft trading, aircraft rental, aircraft rent, aircraft spare parts trading, travel and tourist agencies, airlines companies representative office, passengers transport, cargo services, air cargo agents, documents transfer services, telecommunications devices trading, aviation training and aircraft repairs and maintenance.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs adopted with no material effect on the condensed consolidated financial statements

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 1 relating to *Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters*	1 July 2010
IAS 24 Related Party Disclosures (revised in 2009)	1 January 2011
Amendments to IFRIC 14 relating to Prepayments of a Minimum Funding Requirement	1 January 2011
Improvements to IFRSs issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13	1 January 2011, except IFRS 3 and IAS 27 which are effective 1 July 2010
Amendments to IAS 32 Financial Instruments: Presentation, relating to Classification of Rights Issues	1 February 2010

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	1 July 2011
IFRS 9 *Financial Instruments* (as amended in 2010)	1 January 2013
Deferred Tax: Recovery of Underlying Assets – *Amendments to* IAS 12: *Income Taxes*	1 January 2012
Amendments to IFRS 1: *Removal of Fixed Dates for First-Time Adopter*	1 July 2011
Amendments to IFRS 1 : *Severe Hyperinflation*	1 July 2011

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

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34 – "*Interim Financial Reporting*" and also comply with the applicable requirements of the laws in the U.A.E.

These condensed consolidated financial statements are presented in U.A.E. Dirhams (AED in thousands) since that is the currency in which the majority of the Group's transactions are denominated.

These condensed consolidated financial statements are prepared in accordance with the historical cost basis, except for the revaluation of financial instruments.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 31 December 2010.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2010. In addition, results for the three month period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The accounting policies in respect of available-for-sale (AFS) investments, investment property and property and equipment disclosed in the annual audited consolidated financial statements are stated below as required by Securities and Commodities Authority notification dated 12 October 2008:

3. Summary of significant accounting policies (continued)

3.2 AFS financial assets

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has other investments that are not traded in an active market but are also classified as AFS financial assets and stated at fair value because management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative change in fair values with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair values is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

3.3 Investment property

Investment property is accounted under the cost model of IAS 40. Investment properties, which are property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are stated at cost less accumulated depreciation and any identified impairment losses. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property.

Depreciation is charged so as to write off the cost of investment property, other than land, over the estimated useful lives of 20 years, using the straight line method. Value of land granted by the Government of Sharjah on which investment property is constructed was valued by an external consultant.

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

3.4 Property and equipment

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

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

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

3. Summary of significant accounting policies (continued)

3.4 Property and equipment (continued)

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

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

3.5 Basis of consolidation

These condensed consolidated financial statements of Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries (the "Group") incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiaries

Details of the Company's subsidiaries at 31 March 2011 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Red Marketing Communications (FZE)	Sharjah Airport International Free Zone, U.A.E.	100%	100%	Providing marketing, advertisement agency and communication services.
COZMO Travel L.L.C.	Sharjah, U.A.E.	51%	51%	Travel, travel and tours, tourism and cargo services.

Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 31 March 2011 (continued)

4. Investment property

Investment property comprises a building constructed by the Group on a plot of land, adjacent to Sharjah International Airport, granted by the Government of Sharjah.

5. Available-for-sale investments

	31 March 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Quoted	**9,263**	11,003
Unquoted	**752,015**	745,392
	761,278	756,395
In U.A.E.	**393,963**	389,080
In other G.C.C. countries	**367,315**	367,315
	761,278	756,395

6. Bank balances and cash

	31 March 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Bank balances:		
Current accounts	**80,436**	51,913
Call deposits	**86,363**	31,242
Fixed deposits	**1,656,089**	1,758,542
Margin deposits	**1,494**	1,400
Total bank balances	**1,824,382**	1,843,097
Cash on hand	**1,785**	1,466
Total bank balances and cash	**1,826,167**	1,844,563
Bank balances:		
In U.A.E.	**1,820,603**	1,839,800
In other G.C.C. countries	**3,779**	3,297
Total bank balances	**1,824,382**	1,843,097

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

7. Share capital

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

8. Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of net profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law.

9. General reserve

In accordance with the Company's Articles of association, an amount equal to 10% of profit for the year is transferred to a general reserve. Transfers to this reserve shall stop by resolution of an Ordinary General Assembly upon recommendation by the Board of Directors or when this reserve reaches 50% of the paid up capital of the Company. This reserve shall be utilised for the purposes determined by the General Assembly at an ordinary meeting upon recommendation by the Board of Directors.

10. Other income

Other income includes unrealised gain on derivative financial instruments amounting to AED 25,955 thousand (3 month period ended 31 March 2010: loss amounting to AED 949 thousand) and also includes share of losses from investment in associates.

11. Basic earnings per share

	Three month period ended 31 March	
	2011 (unaudited)	2010 (unaudited)
Profit for the period (in AED '000)	**42,704**	49,607
Number of shares (in '000)	**4,666,700**	4,666,700
Basic earnings per share (in AED)	**0.01**	0.01

Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 31 March 2011 (continued)

12. Dividend

At the Annual General Meeting held on 23 March 2011, the shareholders approved a cash dividend of 8% amounting to AED 373,336 thousand for 2010 (2009: cash dividend of 10% amounting to AED 466,670 thousand). The dividend payable of AED 373,336 thousand has been accounted as liability and grouped under trade and other payables.

13. Cash and cash equivalents

	31 March	
	2011	2010
	(unaudited)	(unaudited)
	AED '000	AED '000
Bank balances and cash	**1,826,167**	1,944,456
Fixed deposits with maturity over 3 months	**(373,816)**	(1,577,512)
Margin deposits	**(1,494)**	-
	1,450,857	366,944

14. Operating aircraft lease commitments

a) Where the Group is a lessee:

	31 March 2011	31 December 2010
	(unaudited)	(audited)
	AED '000	AED '000
Within one year	**279,283**	285,271
In the second to fifth years inclusive	**529,390**	595,509
After five years	**7,043**	7,043
	815,716	887,823

b) Where the Group is a lessor:

	31 March 2011	31 December 2010
	(unaudited)	(audited)
	AED '000	AED '000
Within one year	**93,180**	83,887
In the second to fifth years inclusive	**152,262**	164,166
	245,442	248,053

Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 31 March 2011 (continued)

15. Contingent liabilities

	31 March 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Letters of credit	**74,636**	74,636
Letters of guarantee	**14,939**	14,575

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

16. Capital commitments

The Group has entered into the following capital commitments:

	31 March 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Authorised and contracted:		
Aircraft fleet	**11,481,907**	12,033,882
Investment in an associate	**34,921**	34,921
Hotel project	**5,047**	7,703
Simulator project	**39,902**	42,945
Others	**-**	1,383
	11,561,777	12,120,834
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 40 aircraft order was approximately USD 3.3 billion (AED: 12.1 billion) (31 December 2010: 42 aircrafts, USD 3.5 billion (AED 12.6 billion) at list prices subject to adjustment in accordance with the Airbus price revision formula. As per the contract, 20% of the purchase price of 40 (2010: 42) aircraft is payable over the next four years, with the balance being due on delivery.

Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 31 March 2011 (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	29%	29%	International commercial air transportation.
Air Arabia – Egypt Company (S.A.E.)	Cairo, Egypt	50%	50%	International commercial air transportation.

18. Related party transactions

Transactions:

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

	31 March	
	2011 (unaudited) AED '000	2010 (unaudited) AED '000
Rental income from investment property	**825**	825
Rental income from operating lease	**21,146**	11,343
Management fees	**1,590**	999

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

Notes to the condensed consolidated financial statements for the period from 1 January 2011 to 31 March 2011 (continued)

19. Segment information

Primary reporting format - business segments

31 March 2011 (unaudited)	Airline	Other segments	Eliminations	Total
	Unaudited AED '000	Unaudited AED '000	Unaudited AED '000	Unaudited AED '000
Revenue				
External sales	484,819	1,616	-	486,435
Inter-segment sales	-	3,968	(3,968)	-
Total revenue	484,819	5,584	(3,968)	486,435
Result				
Segment result	23,527	3,173	-	26,700
Share of losses in associate				(5,801)
Share of results in joint ventures				4,854
Profit from bank deposits and other income				18,513
Profit for the period				44,266
Other information				
Additions to property and equipment and deferred charges	325,015	203	-	325,218
Depreciation and amortisation	17,784	143	-	17,927
31 March 2011 (unaudited)				
Assets				
Segment assets	4,172,580	28,496	(5,095)	4,195,981
Unallocated Group assets				2,545,241
Total Assets				6,741,222
Liabilities				
Segment liabilities	1,636,325	14,604	(5,095)	1,645,834
Unallocated Group Liabilities				47,021
Total Liabilities				1,692,855

Notes to the condensed consolidated financial statements
for the period from 1 January 2011 to 31 March 2011 (continued)

19. Segment information (continued)

Primary reporting format - business segments (continued)

31 March 2010 (unaudited)	Airline	Other segments	Eliminations	Total
	Unaudited AED '000	Unaudited AED '000	Unaudited AED '000	Unaudited AED '000
Revenue				
External sales	454,662	-	-	454,662
Inter-segment sales	-	2,322	(2,322)	-
Total revenue	454,662	2,322	(2,322)	454,662
Result				
Segment result	17,953	1,156	-	19,109
Share of losses in associates				(8,504)
Share of results in joint ventures				5,042
Profit from bank deposits and other income				34,533
Profit for the period				50,180
Other information				
Additions to property and equipment and deferred charges	40,648	309	-	40,957
Depreciation and amortisation	11,054	26	-	11,080
31 December 2010 (audited)				
Assets				
Segment assets	3,722,118	28,430	(4,192)	3,746,356
Unallocated Group assets				2,623,642
Total Assets				6,369,998
Liabilities				
Segment liabilities	944,667	12,710	(4,192)	953,185
Unallocated Group Liabilities				39,884
Total Liabilities				993,069

Inter-segment sales are charged at prevailing market prices.

19. Segment information (continued)

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 26,901 thousand (3 month period ended 31 March 2010: AED 25,042 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.

20. Approval of condensed consolidated interim financial statements

The condensed consolidated interim financial statements was approved by the Board of Directors and authorised for issue on 4 May 2011.