Air Arabia PJSC
and its subsidiaries

Condensed consolidated interim financial information
for the three month period ended 31 March 2013

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for the three month period ended 31 March 2013

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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 31 March 2013 condensed consolidated interim financial information of Air Arabia PJSC ("the Company") and its subsidiaries (collectively referred to here as "the Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2013;
- the condensed consolidated statements of income and comprehensive income for the three month period ended 31 March 2013;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2013;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2013; 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 31 March 2013 condensed consolidated interim financial information is not presented, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

Other matter

The Group's condensed consolidated interim financial information as at 31 March 2012 and the consolidated financial statements as at 31 December 2012 were reviewed and audited, respectively by another auditor whose reports dated 6 May 2012 and 14 February 2013 expressed an unmodified conclusion and an unmodified opinion, respectively.

KPMG
Vijendra Nath Malhotra
Registration No.: 48 B

13 MAY 2013

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of financial position

as at 31 March 2013 (unaudited)

	Note	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) (restated) AED'000
Assets			
Non-current assets			
Property and equipment		3,581,655	3,263,363
Advances for new aircraft		663,415	649,800
Investment properties	*5*	163,460	163,647
Intangible assets		1,092,347	1,092,347
Goodwill		189,474	189,474
Deferred charges		3,726	4,390
Aircraft lease deposits		15,809	15,809
Available-for-sale investments	*6*	732,599	738,779
Trade and other receivables		15,191	16,292
Investment in joint ventures and associates	*7*	49,698	64,756
Total non-current assets		6,507,374	6,198,657
Current assets			
Inventories		9,754	9,267
Due from related parties		99,490	67,279
Trade and other receivables		496,971	450,487
Bank balances and cash	*8*	1,184,367	1,306,775
Total current assets		1,790,582	1,833,808
Total assets		8,297,956	8,032,465
Liabilities and equity			
Non-current liabilities			
Provision for employees' end of service indemnity		42,005	38,467
Trade and other payables		264,918	42,972
Finance lease liabilities	*9*	1,456,954	1,259,443
Total non-current liabilities		1,763,877	1,340,882
Current liabilities			
Due to related parties		2,572	19,005
Deferred income		199,270	188,560
Trade and other payables		1,073,178	933,082
Finance lease liabilities	*9*	97,884	110,295
Total current liabilities		1,372,904	1,250,942
Total liabilities		3,136,781	2,591,824
Equity			
Share capital	*10*	4,666,700	4,666,700
Statutory reserve		222,336	222,336
General reserve		165,560	165,560
Fair value reserve		32,492	38,672
Retained earnings		64,394	335,668
Equity attributable to owners of the Company		5,151,482	5,428,936
Non-controlling interests		9,693	11,705
Total equity		5,161,175	5,440,641
Total liabilities and equity		8,297,956	8,032,465

The accompanying notes on pages 7 to 22 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 13 MAY 2013

Chairman | Chief Executive Officer | Director of Finance

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

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of income

for the three month period ended 31 March 2013

	Note	**Three month period ended 31 March 2013 (unaudited) AED '000**	Three month period ended 31 March 2012 (unaudited) (restated) AED '000
Revenue		**721,809**	593,920
Direct costs		**(647,612)**	(555,567)
		----------	----------
Gross profit		**74,197**	38,353
Selling and marketing expenses		**(15,938)**	(17,641)
General and administrative expenses		**(24,162)**	(29,048)
Interest income from bank deposits		**13,053**	14,280
Finance costs		**(9,009)**	(7,698)
Other income	*11*	**20,482**	51,040
		--------	--------
Profit for the period		**58,623**	49,286
		=====	=====
Profit attributable to:			
Owners of the Company		**55,393**	47,660
Non-controlling interests		**3,230**	1,626
		--------	--------
Profit for the period		**58,623**	49,286
		=====	=====
Basic earnings per share (in AED)	*12*	**0.01**	0.01
		===	===

The accompanying notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

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

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of comprehensive income
for the three month period ended 31 March 2013

	Three month period ended 31 March 2013 (unaudited) AED '000	Three month period ended 31 March 2012 (unaudited) (restated) AED '000
Profit for the period	**58,623**	49,286
	--------	--------
Other comprehensive income:		
Items that will be or may be reclassified subsequently to profit or loss		
- (Loss)/gain on revaluation of available-for-sale investments	**(6,180)**	74,522
	--------	----------
Total comprehensive income for the period	**52,443**	123,808
	=====	======
Total comprehensive income attributable to:		
Owners of the Company	**49,213**	122,182
Non-controlling interests	**3,230**	1,626
	--------	----------
Total comprehensive income for the period	**52,443**	123,808
	=====	======

The accompanying notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

The independent auditors' report on the 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 three month period ended 31 March 2013 (unaudited)

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Fair value reserve AED '000	Retained earnings AED '000	Attributable to owners of the Company AED '000	Non-controlling interests AED '000	Total AED '000
Balance at 31 December 2011(audited)	4,666,700	180,382	180,382	(9,834)	223,255	5,240,885	8,552	5,249,437
Total comprehensive income for the period								
Profit for the period	-	-	-	-	47,660	47,660	1,626	49,286
Other comprehensive income	-	-	-	74,522	-	74,522	-	74,522
Total comprehensive income for the period	-	-	-	74,522	47,660	122,182	1,626	123,808
Transactions with owners, recorded directly in equity								
Dividend paid	-	-	-	-	-	-	(2,450)	(2,450)
Balance at 31 March 2012 (unaudited)	4,666,700	180,382	180,382	64,688	270,915	5,363,067	7,728	5,370,795
Balance at 1 January 2013 (audited)	4,666,700	222,336	165,560	38,672	335,669	5,428,937	11,705	5,440,642
Total comprehensive income for the period								
Profit for the period	-	-	-	-	55,393	55,393	3,230	58,623
Other comprehensive income	-	-	-	(6,180)	-	(6,180)	-	(6,180)
Total comprehensive income for the period	-	-	-	(6,180)	55,393	49,213	3,230	52,443
Transactions with owners, recorded directly in equity								
Dividend paid (refer to note 18)	-	-	-	-	(326,669)	(326,669)	(4,900)	(331,569)
Other movement	-	-	-	-	-	-	(342)	(342)
Balance at 31 March 2013 (unaudited)	**4,666,700**	**222,336**	**165,560**	**32,492**	**64,393**	**5,151,481**	**9,693**	**5,161,174**

The accompanying notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of cash flows

for the three month period ended 31 March 2013

	Three month period ended 31 March 2013 (unaudited) AED '000	Three month period ended 31 March 2012 (unaudited) (restated) AED '000
Operating activities		
Profit for the period	**58,623**	49,286
Adjustments for:		
Depreciation of property and equipment	**68,323**	35,730
Depreciation of investment property	**187**	187
Amortisation of deferred charges	**1,354**	1,502
Provision for employees' end of service indemnity	**4,127**	3,062
Unrealised gain on derivative financial instruments	**(8,927)**	(13,785)
Share of profits from joint ventures	**(5,941)**	(7,375)
Share of loss from associates	**-**	26,684
Interest income from bank deposits	**(13,053)**	(14,280)
Dividend income	**-**	(34,894)
Operating cash flows before working capital changes	**104,693**	46,117
Changes in:		
Trade and other receivables	**(36,798)**	(22,984)
Inventories	**(487)**	(461)
Due from related parties	**(32,211)**	12,839
Trade and other payables	**35,373**	81,890
Deferred income	**10,710**	38,883
Due to related parties	**(16,433)**	(19,999)
Employees' end of service indemnity paid	**(589)**	(687)
Net cash from operating activities	**64,258**	135,598
Investing activities		
Acquisition of property and equipment	**(165,718)**	(189,046)
Change in advance for new aircraft	**(13,615)**	(56,113)
Payments for deferred charges	**(690)**	(83)
Dividend received from joint ventures	**20,999**	-
Payments for investment in associates	**-**	(26,684)
Payments for aircraft lease deposits	**-**	5,482
Change in fixed deposits	**85,422**	560,750
Interest income from bank deposits	**13,053**	14,280
Net cash (used in)/from investing activities	**(60,549)**	308,586
Financing activities		
Dividend paid to non-controlling interests	**(4,900)**	(2,450)
Payments of finance lease obligations	**(35,795)**	(17,005)
Dividend received	**-**	34,894
Net cash (used in)/from financing activities	**(40,695)**	15,439
Net (decrease)/increase in cash and cash equivalents	**(36,986)**	459,623
Cash and cash equivalents at the beginning of the period	**93,511**	155,426
Cash and cash equivalents at the end of the period	**56,525**	615,049

The details of cash and cash equivalents is as under:

Bank balances and cash	**1,184,367**	1,220,536
Fixed deposits with maturity over 3 months	**(1,125,412)**	(603,232)
Margin deposits	**(2,430)**	(2,255)
	56,525	615,049

The accompanying notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

1. Reporting entity

Air Arabia PJSC (the "Company") was incorporated on 19 June, 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 three months ended 31 March 2013 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

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

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. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2012. 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, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2012.

2.2 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

Except as described below, the accounting policies applied by the Group in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 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.

The following change in accounting policy is also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2013.

3. Significant accounting policies *(continued)*

3.1 Change in accounting policy

Effective 1 January 2013, following new / amended International Financial Reporting Standards (IFRS) have become effective and have been applied in preparing the condensed consolidated interim financial information:

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IFRS 13 Fair Value Measurement
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IAS 28: Amendments to Investments in Associates and Joint Ventures (2011)

The adoption of IAS 1 and IFRS 13 does not have a significant impact in the annual consolidated financial statements of the Group or the condensed consolidated interim financial information of the Group. Apart from IAS 1 and IFRS 13, following changes to the Group accounting policies have been made on adoption of the new and amended standards:

Subsidiaries

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees.

In the adoption of IFRS 10, the Group re-assessed the control conclusion for its investees as at 1 January 2013. Based on management's assessment, the control conclusion in respect of its investees remains the same. For the list of the Group's subsidiaries refer to note 3.5.

Joint arrangements

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements.

Under IFRS 11, the Group assessed its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Based on this evaluation, the Group has concluded that its involvement in its joint arrangements is of the nature of a joint venture. Accordingly, the Group has changed its accounting for its interest in joint venture from proportionate consolidation to the equity accounting method.

3. Significant accounting policies *(continued)*

3.1 Change in accounting policy *(continued)*

Joint arrangements *(continued)*

The following table summarises the adjustments made to the Group's statements of financial position at 1 January 2012 and 31 December 2012, and its statements of comprehensive income for the period ended 1 January 2012 and 31 March 2012 and cash flows for the year ended 31 March 2012 as a result of the adoption of equity method.

Consolidated statement of financial position

	At 1 January 2012		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Property and equipment	2,423,132	(38,989)	2,384,143
Deferred charges	11,088	(1,035)	10,053
Investment in joint venture	-	63,809	63,809
Inventories	9,092	(2,130)	6,962
Due from related parties	102,329	(2,890)	99,439
Trade and other receivables	416,200	(1,729)	414,471
Bank balances and cash	1,344,900	(23,236)	1,321,664
Overall impact on total assets		**(6,200)**	
Provision for employees' end of service indemnity	36,987	(5,491)	31,496
Trade and other payables	649,284	(22,689)	626,595
Due to related parties	22,576	21,980	44,556
Overall impact on total liabilities		**(6,200)**	

3. Significant accounting policies *(continued)*

3.1 Change in accounting policy *(continued)*

Joint arrangements *(continued)*

Consolidated statement of financial position *(continued)*

	At 31 December 2012		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Property and equipment	3,301,569	(38,206)	3,263,363
Deferred charges	5,116	(726)	4,390
Investment in joint venture	-	64,756	64,756
Inventories	11,571	(2,304)	9,267
Due from related parties	68,660	(1,381)	67,279
Trade and other receivables	462,129	(11,640)	450,489
Bank balances and cash	1,329,752	(22,977)	1,306,775
Overall impact on total assets		**(12,478)**	
Provision for employees' end of service indemnity	45,058	(6,591)	38,467
Trade and other payables	999,873	(23,818)	976,055
Due to related parties	1,074	17,931	19,005
Overall impact on total liabilities		**(12,478)**	

Statement of comprehensive income

	At 1 January 2012		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Revenue	2,434,660	(123,378)	2,311,282
Direct costs	(2,112,004)	71,017	(2,040,987)
General and administrative expenses	(105,561)	26,716	(78,845)
Interest income from bank deposits	71,553	(167)	71,386
Other income (refer note (i) below)	39,035	25,812	64,847

3. Significant accounting policies *(continued)*

3.1 Change in accounting policy *(continued)*

Joint arrangements *(continued)*

Statement of comprehensive income *(continued)*

	At 31 March 2012		
	As previously reported AED '000 (unaudited)	Adjustments AED '000	As restated AED '000
Revenue	621,930	(28,010)	593,920
Direct costs	(568,836)	13,269	(555,567)
Selling and marketing expenses	(17,721)	80	(17,641)
General and administrative expenses	(36,546)	7,497	(29,049)
Interest income from bank deposits	14,383	(102)	14,281
Other income (refer note (i) below)	43,774	7,266	51,040

(i) The adjustments in other income include the share in profit of investment in joint ventures.

Statement of cash flows

	At 31 March 2012		
	As previously reported AED '000 (unaudited)	Adjustments AED '000	As restated AED '000
Cash flows from:			
Operating activities	144,954	(9,356)	135,598
Investing activities	307,324	1,262	308,586
Financing activities	20,840	(5,401)	15,439
Effect on cash and cash equivalents		**(13,495)**	

3.2 Available-for-sale financial assets

Listed shares held by the Group that are traded in an active market are classified as being available-for-sale 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 available-for-sale financial assets and stated at fair value because management considers that their 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 fair value reserve 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 fair values reserve is reclassified to profit or loss.

3. Significant accounting policies *(continued)*

3.2 Available-for-sale financial assets *(continued)*

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

The fair value of available-for-sale 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 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 investment properties are measured initially at cost including all direct costs attributable to the design and construction of the property. 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 development, 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 through 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 impairment loss, if any. 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 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 impairment losses, if any.

3. Significant accounting policies *(continued)*

3.4 Property and equipment *(continued)*

Depreciation is calculated on a straight line basis so as to write off the cost of assets (other than freehold land and properties under construction) over their estimated useful lives, as follows:

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

The depreciation method, useful lives and residual values of assets are re-assessed at each reporting date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance are charged to profit or loss when incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 Basis of consolidation

This condensed consolidated interim financial information comprises the condensed consolidated financial position and the condensed consolidated results of operations of the Group on a line-by-line basis together with the Group's share in the net assets of its associates and joint ventures.

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

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of subsidiaries is included in the condensed consolidated interim financial information from the date that control commences until the date that control ceases.

Details of the Company's subsidiaries at 31 March 2012 are as follows:

Name of Subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
COZMO Travel LLC and subsidiaries	Sharjah - U.A.E.	51%	51%	Travel, travel and tours, tourism and cargo services

3. Significant accounting policies *(continued)*

3.5 Basis of consolidation *(continued)*

Subsidiaries *(continued)*

COZMO Travel LLC has 100%-owned subsidiaries which comprise of COZMO Travel WLL, a limited liability company incorporated in Qatar and COZMO Travel Limited Company, a limited liability company incorporated in the Kingdom of Saudi Arabia. The principal activities of these subsidiaries are travel and tours, tourism and cargo services.

Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

- Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

4. Accounting estimates and judgments

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

The significant judgements 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 2012.

5. Investment properties

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

6. Available-for-sale investments

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Quoted	**7,312**	7,312
Unquoted	**725,287**	731,467
	----------	----------
	732,599	738,779
	======	======
In UAE	365,284	371,464
Outside UAE	367,315	367,315
	----------	----------
	732,599	738,779
	======	======

7. Investment in joint ventures and associates

Investment in joint ventures

The following are the material joint arrangements of the Group classified as joint ventures and accounted for using equity method:

- Alpha Flight Services UAE (L.L.C.) ("AFS") – AFS is incorporated as a limited liability company in the UAE. The registered office of the Company is PO Box 71232 Sharjah, UAE. AFS's principal activities are providing flight and retail catering and ancillary services to the Company.
- Sharjah Aviation Services (L.L.C.) ("SAS") – SAS is incorporated as a limited liability company in the UAE. The registered office of the Company is PO Box 8 Sharjah, UAE. SAS's principal activities are providing aircraft handling, passenger and cargo services at the Sharjah International Airport.

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

7. Investment in joint ventures and associates *(continued)*

	AFS		SAS	
Percentage of interest	50%		50%	
	31 March 2013 (unaudited) AED '000	31December 2012 (audited) (restated) AED '000	**31 March 2013 (unaudited) AED '000**	31December 2012 (audited) (restated) AED '000
Assets	**42,764**	36,078	**135,607**	141,794
Liabilities	**(20,385)**	(18,028)	**(69,959)**	(40,485)
Net assets	**22,379**	18,050	**65,648**	101,309
Group's share in net assets as presented in the statement of financial position	**11,190**	9,025	**32,824**	50,655
Profit for the period/year	**4,327**	14,882	**6,339**	34,753
Group's share of profit for the period/year	**2,164**	7,441	**3,170**	17,376
Cash dividends received by the Group	**-**	(6,508)	**-**	(20,000)

Furthermore, the Group has interests in a number of other joint ventures none of which are regarded as individually material. The following table summarises, in aggregate, the financial position of all individually immaterial joint ventures that are accounted for using the equity method:

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) (restated) AED '000
Carrying amount of interests in joint ventures	**5,684**	5,076
Share of profit for the period/year	**608**	2,638

7. Investment in joint ventures and associates *(continued)*

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

8. Bank balances and cash

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) (restated) AED '000
Bank balances:		
- Current accounts	**50,468**	88,895
- Call deposits	**3,548**	3,156
- Fixed deposits	**1,125,412**	1,210,834
- Margin deposits	**2,430**	2,430
Total bank balances	**1,181,858**	1,305,315
Cash on hand	**2,509**	1,460
Total bank balances and cash	**1,184,367**	1,306,775
Bank balances:		
In U.A.E.	**1,161,751**	1,286,516
Outside U.A.E	**20,107**	18,799
Total bank balances	**1,181,858**	1,305,315

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

9. Finance lease liabilities

The Group has entered into a leasing arrangement with a third party to finance the purchase of 14 aircraft. The term of the lease is 12 years. The finance lease liabilities are secured by these 14 aircraft leased *(2012: 12 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.

10. Share capital

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Authorised, issued and fully paid up share capital (of 4,666,700 thousand shares of AED 1 each)	**4,666,700**	4,666,700
	=======	========

11. Other income

Other income includes unrealised gain on derivative financial instruments amounting to AED 8,927 thousand *(three month period ended 31 March 2012: AED 29,786 thousand)* and also includes share of profit and loss of equity accounted entities amounting to AED 5,492 thousand *(three month period ended 31 March 2012: loss of AED 19,309 thousand)*

12. Basic earnings per share

	31 March 2013 (unaudited)	31 March 2012 (unaudited)
Profit for the period (in AED '000)	**55,393**	47,660
	=====	=====
Number of shares (in '000)	**4,666,700**	4,666,700
	=======	=======
Basic earnings per share (in AED)	**0.01**	0.01
	===	===

13. Operating aircraft lease commitments

a) Where the Group is a lessee:

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Within one year	**169,361**	232,552
Between two and five years	**135,285**	304,646

13. Operating aircraft lease commitments *(continued)*

b) Where the Group is a lessor:

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Within one year	**76,443**	76,968
Between two and five years	**63,794**	90,549

14. Contingent liabilities

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Letters of credit	**50,590**	75,048
Letters of guarantee	**16,720**	14,527
	=====	=====

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

15. Capital commitments

The Group has entered into the following capital commitments:

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Authorised and contracted:		
Aircraft fleet	**5,874,608**	10,058,976
	=======	=======
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 further 15 aircraft from Airbus S.A.S., out of which the Group has exercised the option of purchasing 10 aircraft. The total value of the 28 aircraft order was approximately USD 1.8 billion (AED: 6.57 billion) *(31 December 2012: 30 aircraft, USD 2.1 billion (AED 7.8 billion))* at list prices subject to adjustment in accordance with the Airbus price revision formula. As per the contract, 20% of the purchase price for 28 aircraft *(31 December 2012: 30 aircraft)* is payable over the next four years, with the balance being due on delivery.

16. Related party transactions

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

	Three month period ended 31 March 2013 (unaudited) AED '000	Three month period ended 31 March 2012 (unaudited) AED '000
Rental income from aircraft operating lease provided to the associates	**20,082**	17,898
Management fees	**1,687**	-
Expenses recharged by related parties	**26,065**	24,121
Revenue from related parties	**1,236**	2,218
Rental income from investment property	**-**	825

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

17. Segment information

Primary reporting format - business segments

Three month period ended 31 March 2013 (unaudited)	**Airline AED '000**	**Other segments AED '000**	**Eliminations AED '000**	**Total AE'000**
Revenue				
External sales	**692,242**	**29,567**	**-**	**721,809**
Inter-segment sales	**447**	**2,859**	**(3,306)**	**-**
	---------	--------	-------	---------
Total revenue	**692,689**	**32,426**	**(3,306)**	**721,809**
	=====	=====	====	======
Result				
Segment result	**31,422**	**16,430**	**-**	**47,852**
Share of profit on equity accounted entities				**5,942**
Finance costs				**(9,009)**
Interest income from bank deposits and other income				**13,838**

Profit for the period				**58,623**
				=====
Other information				
Additions to property and equipment and deferred charges	**387,226**	**78**	**-**	**387,304**
Depreciation and amortisation	**69,370**	**307**	**-**	**69,677**
31 March 2013 (unaudited)				
Assets				
Segment assets	**6,164,446**	**118,691**	**(31,617)**	**6,251,520**
	----------	---------	--------	------------
Unallocated Group assets				**2,046,434**

Total assets				**8,297,954**
				=======
Liabilities				
Segment liabilities	**3,105,365**	**63,033**	**(31,617)**	**3,136,781**
	=======	=====	=====	=======

17. Segment information *(continued)*

Primary reporting format - business segments *(continued)*

Three month period ended 31 March 2012 (unaudited) (restated)	Airline (Restated)	Other Segments (Restated)	Eliminations (Restated)	Total (Restated)
Revenue				
External sales	569,212	24,708	-	593,920
Inter-segment sales	-	6,295	(6,295)	-
Total revenue	569,212	31,003	(6,295)	593,920
Result				
Segment result	14,590	10,654	-	25,244
Share of profit of equity accounted entities				(19,309)
Finance costs				(7,698)
Interest income from bank deposits and other income				51,049
Profit for the period				49,286
Other information				
Additions to property and equipment and deferred charges	189,033	96,691	-	285,724
Depreciation and amortisation	36,992	241	-	37,223
31 December 2012 (audited) (restated)				
Assets				
Segment assets	5,809,560	135,387	(50,704)	5,894,243
Unallocated Group assets				2,138,224
Total Assets				8,032,467
Liabilities				
Segment liabilities	2,576,165	66,364	(50,704)	2,591,825

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 2012. Segment result represents the profit earned by each segment without considering share of profit or loss of equity accounted entities, finance cost, profit from bank deposits and other income. Segment assets do not include fixed deposits, available-for-sale investments, investment properties, investment in joint ventures and investment in associates. Goodwill and intangible assets have been allocated to the Airline segment.

18. Dividend

At the Annual General Meeting held on 17 March 2013, the shareholders approved a cash dividend of AED 326,669,000 at AED 7 fils per share. This dividend was not paid at the reporting period and has been included as a liability in this condensed consolidated interim financial information.