

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

**CONSOLIDATED INTERIM FINANCIAL
INFORMATION AND REVIEW REPORT
FOR THE SIX MONTH PERIOD
ENDED JUNE 30, 2010**

**Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah - United Arab Emirates**

**Consolidated Interim Financial Information and Review Report
For the Six Month Period Ended June 30, 2010**

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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 Subsidiaries (together the "Group"), Sharjah, United Arab Emirates, as of June 30, 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six 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

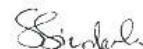
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

Sharjah
August 8, 2010

For Deloitte & Touche



Saba Y. Sindaha
Partner
(Registration No. 410)

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Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah - United Arab Emirates
Condensed Consolidated Statement of Financial Position
At June 30, 2010
(In Thousand Arab Emirates Dirhams)

	Notes	June 30, 2010 Unaudited	December 31, 2009 Audited
ASSETS			
Current assets			
Bank balances and cash	4	1,817,527	1,996,251
Trade and other receivables		261,108	269,643
Due from related parties		33,986	22,568
Inventories		5,925	5,051
Total current assets		2,118,546	2,293,513
Non-current assets			
Trade and other receivables		8,326	14,579
Available-for-sale investments	5	966,610	1,205,337
Aircraft lease deposits		30,710	35,400
Deferred charges		22,907	26,265
Investment in associates	6	20,900	28,790
Goodwill		189,474	189,474
Intangible assets		1,092,347	1,092,347
Investment property	7	49,727	50,102
Advance for new aircraft		582,625	373,806
Property and equipment		834,800	761,885
Total non-current assets		3,798,426	3,777,985
Total Assets		5,916,972	6,071,498
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		487,536	427,601
Deferred income		230,874	129,352
Due to related parties		1,853	-
Total current liabilities		720,263	556,953
Non-current liabilities			
Trade and other payables		25,987	23,124
Provision for employees' end of service indemnity		26,131	23,111
Total non-current liabilities		52,118	46,235
Total Liabilities		772,381	603,188
Capital and reserves			
Share capital	8	4,666,700	4,666,700
Statutory reserve	9	122,896	122,896
General reserve	10	122,896	122,896
Cumulative change in fair values		(8,646)	(51,405)
Retained earnings		236,984	607,223
Equity attributable to Owners of the parent		5,140,830	5,468,310
Non-controlling interest		3,761	-
Total Equity		5,144,591	5,468,310
Total Liabilities and Equity		5,916,972	6,071,498

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

Chairman

Chief Executive Officer

Director of Finance

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah - United Arab Emirates

Condensed Consolidated Statement of Income
For the Six Month Period Ended June 30, 2010
(In Thousand Arab Emirates Dirhams)

	Notes	<u>Six month period ended June 30,</u>		<u>Three month period ended June 30,</u>	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue		967,404	921,652	485,350	458,418
Cost of sales		(879,142)	(761,052)	(446,964)	(381,969)
Gross profit		88,262	160,600	38,386	76,449
Selling and marketing expenses		(18,394)	(21,320)	(8,259)	(9,294)
General administrative expenses		(34,353)	(32,637)	(10,847)	(15,967)
Profit on bank deposits		90,112	84,438	57,113	39,129
Other (expenses)/income	11	(25,960)	1,963	(26,906)	(641)
Profit for the period		99,667	193,044	49,487	89,676
		=====	=====	=====	=====
Attributable to:					
Owners of the parent		98,356	193,044	48,749	89,676
Non-controlling interest		<u>1,311</u>	<u>-</u>	<u>738</u>	<u>-</u>
		99,667	193,044	49,487	89,676
		=====	=====	=====	=====
Basic earnings per share (in AED)	12	0.02	0.04	0.01	0.02
		=====	=====	=====	=====

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

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah - United Arab Emirates

Condensed Consolidated Statement of Comprehensive Income
For the six month period ended June 30, 2010
(In Thousand Arab Emirates Dirhams)

	<u>Six month period ended June 30,</u>		<u>Three month period ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Profit for the period	99,667	193,044	49,487	89,676
Other comprehensive income				
Gain/(loss) on revaluation of available-for-sale investments	42,464	25,300	(24,606)	25,617
Transfer to statement of income on sale of available-for-sale investments	295	-	-	-
Board of Directors' remuneration	(1,925)	(1,800)	-	-
Total comprehensive income for the period	140,501	216,544	24,881	115,293
	=====	=====	=====	=====
Attributable to:				
Owners of the parent	139,190	216,544	24,143	115,293
Non-controlling interest	<u>1,311</u>	<u>-</u>	<u>738</u>	<u>-</u>
	140,501	216,544	24,881	115,293
	=====	=====	=====	=====

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

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Condensed Consolidated Statement of Changes in Equity
For the six month period ended June 30, 2010
(In Thousand Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Cumulative change in fair values</u>	<u>Retained earnings</u>	<u>Attributable to Owners of the parent</u>	<u>Non-controlling interest</u>	<u>Total</u>
Balance at December 31, 2008 (Audited)	4,666,700	(42,582)	77,672	77,672	(105,882)	710,025	5,383,605	-	5,383,605
Profit for the period	-	-	-	-	-	193,044	193,044	-	193,044
Other comprehensive income for the period	-	-	-	-	25,300	(1,800)	23,500	-	23,500
Total comprehensive income for the period	-	-	-	-	25,300	191,244	216,544	-	216,544
Dividend (see Note 13)	-	-	-	-	-	(466,670)	(466,670)	-	(466,670)
Treasury shares sold	-	42,582	-	-	-	4,183	46,765	-	46,765
	-	42,582	-	-	-	(462,487)	(419,905)	-	(419,905)
Balance at June 30, 2009 (Unaudited)	4,666,700	-	77,672	77,672	(80,582)	438,782	5,180,244	-	5,180,244
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Balance at December 31, 2009 (Audited)	4,666,700	-	122,896	122,896	(51,405)	607,223	5,468,310	-	5,468,310
Profit for the period	-	-	-	-	-	98,356	98,356	1,311	99,667
Other comprehensive income for the period	-	-	-	-	42,759	(1,925)	40,834	-	40,834
Total comprehensive income for the period	-	-	-	-	42,759	96,431	139,190	1,311	140,501
Increase in non-controlling interest	-	-	-	-	-	-	-	2,450	2,450
Dividend (see Note 13)	-	-	-	-	-	(466,670)	(466,670)	-	(466,670)
	-	-	-	-	-	(466,670)	(466,670)	2,450	(464,220)
Balance at June 30, 2010 (Unaudited)	4,666,700	-	122,896	122,896	(8,646)	236,984	5,140,830	3,761	5,144,591
	=====	=====	=====	=====	=====	=====	=====	=====	=====

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

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Condensed Consolidated Statement of Cash Flows
For the six month period ended June 30, 2010
(In Thousand Arab Emirates Dirhams)

	Six month period ended June 30	
	<u>2010</u>	<u>2009</u>
	Unaudited	Unaudited
Operating activities		
Profit for the period	99,667	193,044
Adjustment for:		
Depreciation of property and equipment – net	20,470	18,931
Depreciation of investment property	375	375
Amortisation of deferred charges - net	4,542	4,354
Dividend income	(215)	(1,198)
Share of net losses in associates	17,040	-
Unrealised gain on derivative financial instruments	(8,440)	-
Gain on sale of available-for-sale investments	1,514	-
Profit on bank deposits	(90,112)	(84,438)
Rental income	(1,650)	(1,125)
Operating cash flows before movements in working capital	43,191	129,943
Decrease in margin deposits	804	2
Decrease/(increase) in trade and other receivables	23,228	(29,806)
Increase in due from related parties	(11,418)	(14,669)
Increase in inventories	(874)	(1,965)
Decrease in aircraft lease deposits	4,690	15,014
Increase in trade and other payables	62,798	66,114
Increase in deferred income	101,522	56,122
Increase in due to related parties	1,853	5,248
Cash from operations	225,794	226,003
Net movement in employees' end of service indemnity	3,020	5,443
Net cash generated from operating activities	228,814	231,446

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

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Condensed Consolidated Statement of Cash Flows (continued)
For the six month period ended June 30, 2010
(In Thousand Arab Emirates Dirhams)

	Six month period ended June 30	
	2010	2009
	Unaudited	Unaudited
Cash flows from investing activities		
Purchase of property and equipment - net	(93,385)	(79,134)
Increase in deferred charges - net	(1,184)	(3,175)
Purchase of available-for-sale investments	(87,931)	-
Proceeds on disposal of available-for-sale investments	367,903	-
Decrease in fixed and murabaha deposits	393,260	1,579,339
Net movement in an associate	(9,150)	(16,278)
Increase in advance for new aircraft	(208,819)	(33,793)
Dividend received	215	1,198
Profit on bank deposits	90,112	84,438
Rental income	1,650	1,125
Net cash from investing activities	452,671	1,533,720
Cash flows from financing activities		
Treasury shares sold	-	46,765
Dividend paid	(466,670)	(466,670)
Increase in non-controlling interest	2,450	-
Board of Directors' remuneration paid	(1,925)	(1,800)
Net cash used in financing activities	(466,145)	(421,705)
Net increase in cash and cash equivalents	215,340	1,343,461
Cash and cash equivalents at the beginning of the period	421,836	187,369
Cash and cash equivalents at the end of the period (see Note 14)	637,176	1,530,830
	=====	=====

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

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements
For the six month period ended June 30, 2010

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 (see Note 3). The address of the Company’s registered office 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, air cargo agents, cargo services, documents transfer services, telecommunications devices trading, aviation training and aircraft repairs and maintenance. To date the principal operations comprise international commercial air transportation through Air Arabia operating out of Sharjah, United Arab Emirates.

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

At the date of authorisation of the condensed consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
• IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue	February 1, 2010
• IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	January 1, 2011
• IFRS 9 <i>Financial Instruments: Classification and Measurement</i> (intended as complete replacement for IAS 39 and IFRS 7)	January 1, 2013

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the six month period ended June 30, 2010

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

New Interpretations and amendments to Interpretations:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
• IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	July 1, 2010
• Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i>	January 1, 2011

Management anticipates that these amendments will be adopted in the Group's condensed consolidated financial statements for the initial period when they become effective. Management have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

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* issued by the International Accounting Standard Board 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 December 31, 2009.

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 December 31, 2009. In addition, results for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2010.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the six month period ended June 30, 2010

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

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 October 12, 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.

3.3 Investment property

Investment property is accounted under the cost model of IAS 40. Investment property is stated at cost less accumulated depreciation and any identified impairment loss. 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 is valued by an external consultant.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the six month period ended June 30, 2010

3. Summary of significant accounting policies (continued)

3.4 Property and equipment

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

Capital work-in-progress is stated at cost less any identified impairment losses.

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

Depreciation is charged so as to write off the cost of assets, other than land and capital work-in-progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each period end, with the effect of any changes in estimate accounted for on a prospective basis.

The 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.

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 June 30, 2010 are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest</u>	<u>Proportion of voting power held</u>	<u>Principal activity</u>
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.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the six month period ended June 30, 2010

4. Bank balances and cash

	June 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Bank balances:		
Current accounts	38,933	49,063
Call deposits	39,334	27,108
Fixed deposits	1,239,191	1,422,564
Deposit with financial institution	187,118	184,372
Murabaha deposits	311,224	311,224
Margin deposits	-	804
	<u>1,815,800</u>	<u>1,995,135</u>
Cash on hand	<u>1,727</u>	<u>1,116</u>
	<u>1,817,527</u>	<u>1,996,251</u>
	=====	=====
Bank balances:		
In U.A.E.	1,503,250	1,683,530
In other G.C.C. countries	<u>312,550</u>	<u>311,605</u>
	<u>1,815,800</u>	<u>1,995,135</u>
	=====	=====

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

5. Available-for-sale investments

	June 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Quoted	10,344	14,717
Unquoted	<u>956,266</u>	<u>1,190,620</u>
	<u>966,610</u>	<u>1,205,337</u>
	=====	=====
In U.A.E.	370,626	329,945
In other G.C.C. countries	<u>595,984</u>	<u>875,392</u>
	<u>966,610</u>	<u>1,205,337</u>
	=====	=====

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the six month period ended June 30, 2010

6. Investment in associates

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

<u>Name of associate</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest</u>	<u>Proportion of voting power held</u>	<u>Principal activities</u>
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.

7. 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.

8. Share capital

	June 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Authorised and issued share capital (4,666,700,000 shares of AED 1 each)	4,666,700	4,666,700
	=====	=====

9. Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 8 of 1984, as amended 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. No transfers have been made during the six months period ended June 30, 2010, as this will be based on the results for the year. The reserve is not available for distribution except in the circumstances stipulated by the law.

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the six month period ended June 30, 2010

10. 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. No transfers have been made to the general reserve during the six months period ended June 30, 2010.

11. Other (expenses)/income

Other (expenses)/income includes share of losses from investment in associates.

12. Basic earnings per share

	Six month period ended June 30		Three month period ended June 30	
	2010	2009	2010	2009
	Unaudited	Unaudited	Unaudited	Unaudited
Profit for the period (in AED '000)	99,667	193,044	49,487	89,676
	=====	=====	=====	=====
Number of shares (in '000)	4,666,700	4,666,700	4,666,700	4,666,700
	=====	=====	=====	=====
Basic earnings per share (in AED)	0.02	0.04	0.01	0.02
	=====	=====	=====	=====

13. Dividend

At the Annual General Meeting held on March 23, 2010, the shareholders approved a cash dividend of 10% amounting to AED 466,670 thousand for 2009 (2008: cash dividend of 10% amounting to AED 466,670 thousand).

Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries
Sharjah – United Arab Emirates

Notes to the Condensed Consolidated Financial Statements (continued)
For the six month period ended June 30, 2010

14. Cash and cash equivalents

	June 30	
	2010	2009
	Unaudited AED '000	Unaudited AED '000
Bank balances and cash	1,817,527	1,531,246
Fixed deposits with maturity over 3 months	(869,127)	-
Murabaha deposits	(311,224)	-
Margin deposits	-	(416)
	637,176	1,530,830
	=====	=====

15. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated statement of income for the six month period ended June 30, 2010 and 2009.

16. Operating aircraft lease commitments

a) Where the Group is a lessee:

	June 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Within one year	288,242	285,046
In the second to fifth years inclusive	719,038	813,042
After five years	24,758	65,456
	1,032,038	1,163,544
	=====	=====

b) Where the Group is a lessor:

	June 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Within one year	69,657	44,184
In the second to fifth years inclusive	187,289	145,629
	256,946	189,813
	=====	=====

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17. Contingent liabilities

	June 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Letters of credit	74,562	60,570
Letters of guarantee	15,227	15,506

Letters of credit mainly comprise undertaking provided to aircraft lessors in lieu of making lease deposits.

18. Capital commitments

The Group has entered into the following capital commitments:

	June 30, 2010	December 31, 2009
	Unaudited AED '000	Audited AED '000
Authorised and contracted:		
Aircraft fleet	12,604,678	12,627,095
Investment in an associate	34,921	44,071
Hotel project	49,754	114,824
Simulator project	22,041	-
Apartment and others	60,343	24,197
	12,771,737	12,810,187
	=====	=====
Authorised but not contracted:		
Simulator project	-	30,803
Aircraft fleet	1,422,807	1,422,807
	1,422,807	1,453,610
	=====	=====

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 44 aircraft order was approximately USD 3.5 billion (AED: 12.7 billion) (December 31, 2009: 44 aircrafts, USD 3.6 billion (AED 13.2 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 44 aircraft is payable over the next five years, with the balance being due on delivery.

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19. Segment information

Primary reporting format – business segments

June 30, 2010	<u>Airline</u>	<u>Other segments</u>	<u>Eliminations</u>	<u>Total</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>	<u>AED '000</u>
Revenue				
External sales	913,320	-	-	913,320
Inter-segment sales	-	5,594	(5,250)	344
Total revenue	913,320	5,594	(5,250)	913,664
	=====	=====	=====	=====
Result				
Segment result	30,850	2,616	-	33,466
Share of losses in associates	-	-	-	(17,040)
Share of profit in joint ventures	-	-	-	11,618
Unrealised loss on derivative financial instruments	-	-	-	(8,440)
Profit from bank deposits and other income				80,063
Profit for the period				99,667
				=====
Other information				
Additions to property and equipment and deferred charges	86,643	1,721	-	88,364
Depreciation and amortisation	22,484	151	-	22,635
Assets				
Segment assets	3,095,956	26,806	(10,549)	3,112,213
Unallocated Group assets				2,804,759
Total Assets				5,916,972
				=====
Liabilities				
Segment liabilities	731,475	16,078	(10,549)	737,004
Unallocated Group liabilities				35,377
Total Liabilities				772,381
				=====

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Notes to the Condensed Consolidated Financial Statements (continued)
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19. Segment information (continued)

Primary reporting format - business segments (continued)

June 30, 2009	<u>Airline</u>	<u>Other</u>	<u>Eliminations</u>	<u>Total</u>
	<u>Unaudited</u>	<u>segments</u>	<u>Unaudited</u>	<u>Unaudited</u>
	<u>AED '000</u>	<u>Unaudited</u>	<u>AED '000</u>	<u>AED '000</u>
		<u>AED '000</u>		
Revenue				
External sales	871,633	-	-	871,633
	=====	=====	=====	=====
Result				
Segment result	94,673	86	-	94,759
Share of profit in joint ventures	-	-	-	11,939
Profit from bank deposits and other income	-	-	-	86,346
	=====	=====	=====	=====
Profit for the period				193,044
				=====
Other information				
Additions to property and equipment and deferred charges	84,875	-	-	84,875
Depreciation and amortisation	23,995	32	-	24,027
December 31, 2009 – (Audited)				
Assets				
Segment assets	2,797,800	3,284	(3,109)	2,797,975
Unallocated Group assets				3,273,523
				=====
Total Assets				6,071,498
				=====
Liabilities				
Segment liabilities	568,362	173	(3,109)	565,426
Unallocated Group Liabilities				37,762
				=====
Total Liabilities				603,188
				=====

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 annual audited financial statements. Segment revenue does not include the Group's share of external revenue of joint ventures, amounting to AED 48,922 thousand (six month period ended June 30, 2009: AED 58,207 thousand), as the share of their results have been disclosed separately as unallocated under segment result. Segment result represents the losses earned by each segment without considering unallocated costs, shares of profits in joint ventures, share of losses in associates, profit from bank deposits, unrealised gain on fuel derivatives and other income. Segment assets do not include fixed deposits, Murabaha 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.

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20. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on August 8, 2010.