

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

**CONSOLIDATED INTERIM FINANCIAL
INFORMATION AND REVIEW REPORT
FOR THE SIX MONTH PERIOD
ENDED JUNE 30, 2008**

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

**Consolidated Interim Financial Information and Review Report
For the Six Month Period Ended June 30, 2008**

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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 Subsidiary
Sharjah - United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of **Air Arabia P.J.S.C. (Air Arabia) (the "Company") and Subsidiary (together the "Group")**, Sharjah, United Arab Emirates, as of June 30, 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six month period then ended and explanatory notes. 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.

For Deloitte & Touche

Saba Y. Sindaha
Partner
(Registration No. 410)

Sharjah
July 30, 2008

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Member of
Deloitte Touche Tohmatsu

**Air Arabia P.J.S.C. (Air Arabia) and Subsidiary
Sharjah - United Arab Emirates
Condensed Consolidated Balance Sheet
At June 30, 2008
(In Arab Emirates Dirhams)**

	Notes	June 30, 2008 Unaudited	December 31, 2007 Audited
ASSETS			
Current assets			
Bank balances and cash	5	1,997,408,067	2,969,905,739
Trade and other receivables	6	175,345,870	134,009,886
Due from a related party		-	1,710,251
Inventories		1,417,426	747,707
Total current assets		2,174,171,363	3,106,373,583
Non-current assets			
Available-for-sale investments	7	1,369,296,722	581,215,288
Aircraft lease deposits		44,109,831	37,669,225
Deferred charges		34,387,868	6,457,738
Goodwill	8	189,474,216	189,474,216
Intangible assets	9	1,092,346,500	1,092,346,500
Investment property		51,227,083	51,602,083
Advance for new aircraft		160,181,266	160,181,266
Property and equipment	10	627,021,887	112,239,533
Total non-current assets		3,568,045,373	2,231,185,849
Total Assets		5,742,216,736	5,337,559,432
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		249,840,717	182,028,689
Deferred income		220,137,666	104,303,403
Due to related parties		7,662,915	11,761,752
Total current liabilities		477,641,298	298,093,844
Non-current liabilities			
Due to a related party		750,000	2,250,000
Provision for employees' end of service indemnity		7,917,944	7,738,209
Total non-current liabilities		8,667,944	9,988,209
Total Liabilities		486,309,242	308,082,053
Capital and reserves			
Share capital	11	4,666,700,000	4,666,700,000
Statutory reserve		27,665,734	27,665,734
Investments revaluation reserve		71,468,814	4,866,635
Retained earnings		499,072,946	330,245,010
Total Equity		5,255,907,494	5,029,477,379
Total Liabilities and Equity		5,742,216,736	5,337,559,432

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

Chairman

Chief Executive Officer

Director of Finance

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

**Condensed Consolidated Statement of Income
For the six month period ended June 30, 2008
(In Arab Emirates Dirhams)**

	<u>Notes</u>	Six month period ended June 30, 2008 <u>Unaudited</u>	Three month period ended June 30, 2008 <u>Unaudited</u>
Revenue		870,680,025	487,447,482
Cost of sales	12	(745,772,893)	(415,363,736)
Gross profit		124,907,132	72,083,746
Selling and marketing costs	13	(17,402,868)	(8,362,477)
General and administrative expenses	14	(29,280,424)	(17,411,345)
Operating profit		78,223,840	46,309,924
Profit on bank deposits		79,523,276	34,203,531
Other income		<u>2,080,820</u>	<u>1,003,791</u>
Profit for the period	15	<u>159,827,936</u> =====	<u>81,517,246</u> =====
Basic earnings per share	16	<u>0.03</u> =====	<u>0.02</u> =====

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

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

**Condensed Consolidated Statement of Changes in Equity
For the six month period ended June 30, 2008
(In Arab Emirates Dirhams)**

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Investments revaluation reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at December 31, 2007	<u>4,666,700,000</u>	<u>27,665,734</u>	<u>4,866,635</u>	<u>330,245,010</u>	<u>5,029,477,379</u>
Gain on available-for-sale investments directly recognised in equity	-	-	66,602,179	-	66,602,179
Profit for the period	-	-	-	<u>159,827,936</u>	<u>159,827,936</u>
Total recognised income and expense for the period	-	-	<u>66,602,179</u>	<u>159,827,936</u>	<u>226,430,115</u>
Balance at June 30, 2008 (Unaudited)	<u>4,666,700,000</u>	<u>27,665,734</u>	<u>71,468,814</u>	<u>490,072,946</u>	<u>5,255,907,494</u>
	=====	=====	=====	=====	=====

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

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

**Condensed Consolidated Statement of Cash Flows
For the six month period ended June 30, 2008
(In Arab Emirates Dirhams)**

	Six month period ended June 30, 2008 <u>Unaudited</u>
Operating activities	
Profit for the period	159,827,936
Adjustment for:	
Depreciation of property and equipment – net	8,880,927
Depreciation of investment property	375,000
Amortisation of deferred charges - net	1,386,595
Profit on bank deposits	(79,523,276)
Rental income	(1,125,000)
Operating cash flows before movements in working capital	89,822,182
Increase in fixed deposits	(672,514,569)
Increase in margin deposits	(606,000)
Increase in trade and other receivables	(41,335,984)
Decrease in due from a related party	1,710,251
Increase in inventories	(669,719)
Increase in aircraft lease deposits	(6,440,606)
Increase in trade and other payables	67,812,028
Increase in deferred income	115,834,263
Decrease in due to related parties	(5,598,837)
Cash used in operations	(451,986,991)
Net movement in employees' end of service indemnity	179,735
Net cash used in operating activities	(451,807,256)
Investing activities	
Purchase of property and equipment - net	(523,663,281)
Increase in deferred charges - net	(29,316,725)
Purchase of available-for-sale investments	(721,479,255)
Profit on bank deposits	79,523,276
Rental income	1,125,000
Net cash used in investing activities	(1,193,810,985)
Net decrease in cash and cash equivalents	(1,645,618,241)
Cash and cash equivalents at the beginning of the period	2,969,905,739
Cash and cash equivalents at the end of the period (see Note 21)	1,324,287,498
	=====

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

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

Notes to the Consolidated Interim Financial Information For the six month period ended June 30, 2008

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 Subsidiary (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, documents transfer services, telecommunications devices trading 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.

The Company was incorporated on June 19, 2007 and accordingly comparative information for condensed consolidated statements of income, changes in equity and cash flows are not presented in this consolidated interim financial information.

2. Basis of preparation

This consolidated interim financial information is 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. The consolidated interim financial information is prepared in accordance with the historical cost basis, except for the revaluation of financial instruments. The consolidated interim financial information is presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group’s transactions are denominated

This consolidated interim financial information 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 period from inception to December 31, 2007. In addition, results for the 6 months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2008.

(a) Estimates

The preparation of consolidated interim financial information require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

2. Basis of preparation (continued)

a) Estimates (continued)

In preparing this consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that were applied to the audited consolidated financial statements as at and for the period from inception to December 31, 2007.

b) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the period from inception to December 31, 2007.

3. Basis of consolidation

The consolidated interim financial information of Air Arabia P.J.S.C. (Air Arabia) and Subsidiary (the "Group") incorporate the financial information of the Company and enterprises controlled by the Company (its subsidiary). 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.

Subsidiary

Details of the Company's subsidiary at June 30, 2008 is 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.

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

**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

4. Accounting policies

The accounting policies used in the preparation of this consolidated interim financial information are consistent with those used in the audited financial statements for the period from inception to December 31, 2007.

5. Bank balances and cash

	June 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Cash on hand	615,120	590,586
Bank balances:		
Current accounts	35,445,215	55,796,746
Call deposits	272,528,191	76,773,398
Fixed deposits	<u>1,688,819,541</u>	<u>2,836,745,009</u>
	<u>1,997,408,067</u>	<u>2,969,905,739</u>
	=====	=====

6. Trade and other receivables

	June 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Trade receivables	106,576,305	87,166,947
Allowance for doubtful debts	<u>(241,521)</u>	<u>(242,130)</u>
	106,334,784	86,924,817
Prepaid expenses	20,561,036	15,539,446
Advances and other receivables	<u>48,450,050</u>	<u>31,545,623</u>
	<u>175,345,870</u>	<u>134,009,886</u>
	=====	=====

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

**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

7. Available-for-sale investments - Fair value

	June 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Quoted	29,484,117	30,125,288
Unquoted	<u>1,339,812,605</u>	<u>551,090,000</u>
	<u>1,369,296,722</u>	<u>581,215,288</u>

8. Goodwill

The Company engaged an independent valuer for the purpose of applying IFRS 3 to the acquisition of Air Arabia L.L.C. by the Company. Value of goodwill is determined by the valuer as follows:

	June 30, 2008
	Unaudited AED
Total fair value of Air Arabia Company L.L.C. as of June 19, 2007 (see Note 11)	1,400,000,000
Fair value of intangible assets (see Note 9)	(1,092,346,500)
Fair value of tangible assets (net)	(<u>118,179,284</u>)
	<u>189,474,216</u>

9. Intangible assets

The Company engaged an independent valuer for the purpose of applying IFRS 3 to the acquisition of Air Arabia L.L.C. by the Company on June 19, 2007. The following table sets forth the components of intangible assets, determined by the independent valuer, estimated to be having indefinite useful lives:

	Fair value
	Unaudited AED
Trade name	395,410,000
Landing rights	468,273,000
Price benefit from related parties	180,281,000
Handling licence - Sharjah Aviation Services	<u>48,382,500</u>
	<u>1,092,346,500</u>

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

**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

10. Property and equipment

During the period, additions to property and equipment amounted to AED 523,745,340 which mainly comprises aircraft purchases amounting to AED 478,282,875. Depreciation for the 6 month period ended June 30, 2008 amounted to AED 8,880,927.

11. Share capital

	June 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
1,400,000,000 shares of AED 1 each paid in-kind (see Note 8)	<u>1,400,000,000</u>	<u>1,400,000,000</u>
2,566,700,000 shares of AED 1 each subscribed in cash through IPO	2,566,700,000	2,566,700,000
700,000,000 share of AED 1 each subscribed in cash by the Founders	<u>700,000,000</u>	<u>700,000,000</u>
Share capital received in cash	<u>3,266,700,000</u>	<u>3,266,700,000</u>
Authorised and issued share capital	<u>4,666,700,000</u>	4,666,700,000
	=====	=====

12. Cost of sales

	Six month period ended June 30, 2008	Three month period ended June 30, 2008
	Unaudited AED	Unaudited AED
Staff costs	95,828,447	50,837,529
Lease rentals	97,562,916	43,700,939
Fuel	373,419,571	223,851,721
Maintenance expenses	64,998,597	34,900,365
Ground and technical handling charges	42,148,137	20,379,223
Landing and overflying charges	40,434,324	21,654,549
Insurance	5,090,346	2,728,745
Service costs	10,553,549	6,007,231
Other operating costs	<u>15,737,006</u>	<u>11,303,434</u>
	745,772,893	415,363,736
	=====	=====

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

**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

13. Selling and marketing costs

	Six month period ended June 30, 2008	Three month period ended June 30, 2008
	Unaudited AED	Unaudited AED
Staff costs	7,933,649	4,134,438
Advertisement expenses	7,469,206	3,213,089
Reservation management expenses	<u>2,000,013</u>	<u>1,014,950</u>
	17,402,868	8,362,477
	=====	=====

14. General and administrative expenses

	Six month period ended June 30, 2008	Three month period ended June 30, 2008
	Unaudited AED	Unaudited AED
Staff costs	12,433,781	7,059,450
Legal and professional fees	4,258,049	2,792,262
Rent	2,486,187	1,100,179
Travel and accommodation costs	769,463	658,524
Communication costs	998,252	532,063
Printing and stationary	594,215	285,867
Depreciation of property and equipment	917,426	214,604
Other expenses	<u>6,823,051</u>	<u>4,768,396</u>
	29,280,424	17,411,345
	=====	=====

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

**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

15. Profit for the period

Profit for the period is arrived at after charging the following expenses:

	Six month period ended June 30, 2008	Three month period ended June 30, 2008
	Unaudited AED	Unaudited AED
Staff cost	116,195,877	62,031,417
Depreciation of investment property	375,000	187,500
Depreciation of property and equipment	8,880,927	6,794,609
Amortisation of deferred charges	1,918,365	1,210,256

16. Basic earnings per share

	Six month period ended June 30, 2008	Three month period ended June 30, 2008
	Unaudited	Unaudited
Profit for the period (in AED)	159,827,936	81,517,246
Number of shares	4,666,700,000	4,666,700,000
Basic earnings per share (in AED)	0.03	0.02

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

**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

17. Joint ventures

The Group has interest in the following joint ventures:

<u>Name of joint venture</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest</u>	<u>Principal activity</u>
Information Systems Associates (FZC)	Sharjah Airport International Free Zone, U.A.E.	51%	Trading in IT products and providing IT services.
Sharjah Aviation Services (L.L.C.)	Sharjah, U.A.E.	50%	Providing aircraft handling services and passenger services.
Sharjah Airport Travel Agency - SATA	Sharjah, U.A.E.	50%	Travel and tourist agencies, travel office and air cargo.
Alpha Flight Services U.A.E. L.L.C.	Sharjah, U.A.E.	51%	Providing in-flight and retail catering and ancillary services for airports and airlines.
Yeti Airways International Pvt.	Kathmandu, Nepal	51%	International commercial air transportation.

The following amounts are included in the consolidated interim financial information as a result of the proportionate consolidation of the above joint ventures:

	June 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Current assets	47,576,327	34,084,973
Non-current assets	22,602,861	13,639,345
Current liabilities	33,622,983	26,497,803
Non - current liabilities	1,190,814	622,140

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

**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

17. Joint ventures (continued)

The following amounts are included in the consolidated interim financial information as a result of the proportionate consolidation of the above joint ventures (continued):

	Six month period ended June 30, 2008	Three month period ended June 30, 2008
	Unaudited AED	Unaudited AED
Income	66,421,165	38,940,883
	=====	=====
Expenses	70,402,650	39,627,344
	=====	=====

18. Operating lease arrangements

	Six month period ended June 30, 2008	Three month period ended June 30, 2008
	Unaudited AED	Unaudited AED
Minimum lease payment under operating leases (excluding variable lease rental on the basis of flying hours) recognised in profit or loss for the period	100,652,344	50,919,708
	=====	=====

Details of aircraft lease agreements are as follows:

	Number of aircraft	
	June 30, 2008	December 31, 2007
	Unaudited	Audited
Lease agreements signed for	19	20
Aircraft delivered against the above lease agreements	(12)	(11)
Aircraft to be delivered in future periods	7	9
	=====	=====

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

**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

18. Operating lease arrangements (continued)

The fixed lease commitments against delivered aircraft are as follows:

	June 30, 2008	December 31,
	Unaudited	2007
	AED	Audited
		AED
Within one year	171,542,340	145,028,455
In the second to fifth years inclusive	441,439,332	427,675,191
After five years	22,916,929	11,075,208
	635,898,601	583,778,854
	=====	=====

The fixed lease commitments against aircraft to be delivered in future periods are as follows:

	June 30, 2008	December 31,
	Unaudited	2007
	AED	Audited
		AED
Within one year	21,920,640	26,305,945
In the second to fifth years inclusive	422,777,880	498,251,089
After five years	232,995,000	323,744,824
	677,693,520	848,301,858
	=====	=====

In addition to the above fixed lease commitments, there is a variable lease rental element depending on the flying hours of the leased aircraft.

The aircraft lease agreements are subject to various covenants including restriction to sell or convey substantially all of the Group's property and assets or merge or consolidate with or into any other corporation without the prior consent of the lessor and no security interest may be created by the Group on the leased aircraft.

19. Contingent liabilities

	June 30, 2008	December 31,
	Unaudited	2007
	AED	Audited
		AED
Letters of credit	51,398,363	50,921,134
Letters of guarantee	9,867,298	8,470,248

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

**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

20. Capital commitments

The Group has entered into the following capital commitments:

	June 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Authorised and contracted:		
Aircraft fleet	13,235,166,048	10,244,169,824
Non-aircraft	-	6,155,625
Joint ventures	<u>-</u>	<u>36,750,000</u>
	13,235,166,048	10,287,075,449
	=====	=====
Authorised but not contracted:		
Aircraft fleet	1,445,747,191	3,858,750,000
Joint ventures	<u>-</u>	<u>18,375,000</u>
	1,445,747,191	3,877,125,000
	=====	=====

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 during the period, the Group has exercised the option of purchasing 10 aircrafts. The total value of the 44 aircraft order was approximately USD 3.6 billion (AED: 13.2 billion) (December 31, 2007: 34 aircrafts, USD 2.8 billion (AED 10.2 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 34 aircraft is payable over the next five years, with the balance being due on delivery.

Joint venture

The Group has entered into a joint venture agreement for an airline which will operate from Morocco. On June 30, 2008 this venture was still in the early stages of development and a launch date had not been announced.

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

**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

21. Cash and cash equivalents

	June 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Bank balances and cash (see Note 5)	1,997,408,067	2,969,905,739
Fixed deposits with maturity over 3 months	(672,514,569)	-
Margin deposits	(606,000)	-
	1,324,287,498	2,969,905,739
	=====	=====

22. Segment information

Primary reporting format - business segments

Six month period ended June 30, 2008	Airline	Other segments	Eliminations	Total
	Unaudited AED	Unaudited AED	Unaudited AED	Unaudited AED
Revenue				
External sales	809,539,838	2,528,767	-	812,068,605
Inter-segment sales	-	35,100	(35,100)	-
Total Revenue	809,539,838	2,563,867	(35,100)	812,068,605
	=====	=====	=====	=====
Result				
Segment result	81,072,093	1,820,435	-	82,892,528
Share of losses in joint ventures				(3,981,485)
Profit from bank deposits and other income				80,916,893
Profit for the period				159,827,936
				=====
Other information				
Additions to property and equipment and deferred charges	553,511,775	-	-	553,511,775
Depreciation and amortisation	10,719,691	79,601	-	10,799,292
	=====	=====	=====	=====
June 30, 2008				
Assets				
Segment assets	2,321,350,710	5,804,801	(46,019,293)	2,281,136,218
Unallocated Group assets				3,461,080,518
Total Assets				5,742,216,736
				=====
Liabilities				
Segment liabilities	449,934,533	1,560,912	(9,029,793)	442,465,652
Unallocated Group liabilities				43,843,590
Total Liabilities				486,309,242
				=====

**Air Arabia P.J.S.C. (Air Arabia) and Subsidiary
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**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

22. Segment information (continued)

Primary reporting format - business segments (continued)

Three month period ended June 30, 2008	<u>Airline</u> <u>Unaudited</u> <u>AED</u>	<u>Other</u> <u>segments</u> <u>Unaudited</u> <u>AED</u>	<u>Eliminations</u> <u>Unaudited</u> <u>AED</u>	<u>Total</u> <u>Unaudited</u> <u>AED</u>
Revenue				
External sales	<u>449,979,068</u>	<u>1,757,294</u>	<u>-</u>	<u>451,736,362</u>
Total Revenue	<u>449,979,068</u>	<u>1,757,294</u>	<u>-</u>	<u>451,736,362</u>
	=====	=====	=====	=====
Result				
Segment result	<u>45,340,498</u>	<u>1,842,043</u>	<u>-</u>	<u>47,182,541</u>
Share of losses in joint ventures				(686,461)
Profit from bank deposits and other income				<u>35,021,166</u>
Profit for the period				<u>81,517,246</u>
				=====
Other information				
Additions to property and equipment and deferred charges	<u>183,638,703</u>	<u>-</u>	<u>-</u>	<u>183,638,703</u>
Depreciation and amortisation	<u>6,046,701</u>	<u>39,800</u>	<u>-</u>	<u>6,086,501</u>
	=====	=====	=====	=====
December 31, 2007 - Audited				
Assets				
Segment assets	<u>2,177,187,031</u>	<u>4,480,836</u>	<u>(25,239,310)</u>	<u>2,156,428,557</u>
Unallocated Group assets				<u>3,181,130,875</u>
Total Assets				<u>5,337,559,432</u>
				=====
Liabilities				
Segment liabilities	<u>285,897,037</u>	<u>2,057,382</u>	<u>(6,992,309)</u>	<u>280,962,110</u>
Unallocated Group liabilities				<u>27,119,943</u>
Total Liabilities				<u>308,082,053</u>
				=====

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 4. Segment revenue does not include the Group's share of external revenue of joint ventures, amounting to AED 66,421,165, 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, profit from bank deposits and other income. Segment assets do not include short-term deposits, available-for-sale investments and the Group's share of assets in joint ventures. Goodwill and intangible assets has been allocated to Airline segment (see Note 8 and 9). Segment liabilities do not include Group's share of liabilities in joint ventures.

**Air Arabia P.J.S.C. (Air Arabia) and Subsidiary
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**Notes to the Consolidated Interim Financial Information (continued)
For the six month period ended June 30, 2008**

23. Approval of consolidated interim financial information

The consolidated interim financial information was approved and authorised for issue on July 30, 2008.

24. Comparative amounts

The comparative amounts in the balance sheet for the previous period are revised for goodwill, intangible assets and investment property for accounting the amounts reflected for the above balances in the independent valuer's report engaged by the Company for the purpose of applying IFRS 3.