

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

**CONSOLIDATED INTERIM FINANCIAL
INFORMATION AND REVIEW REPORT
FOR THE NINE MONTH PERIOD
ENDED SEPTEMBER 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 Nine Month Period Ended September 30, 2008**

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Ref: 10341FS08-Sept

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 September 30, 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the nine 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

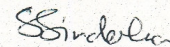
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 aspects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

**Sharjah
November 3, 2008**

For Deloitte & Touche



**Saba Y. Sindaha
Partner
(Registration No. 410)**

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

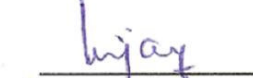
**Condensed Consolidated Balance Sheet
At September 30, 2008
(In Arab Emirates Dirhams)**

	Notes	September 30, 2008 Unaudited	December 31, 2007 Audited
ASSETS			
Current assets			
Bank balances and cash	5	2,061,444,417	2,969,905,739
Trade and other receivables	6	176,274,939	134,009,886
Due from related parties		113,703	1,710,251
Inventories		<u>1,611,011</u>	<u>747,707</u>
Total current assets		2,239,444,070	3,106,373,583
Non-current assets			
Available-for-sale investments	7	1,337,688,338	581,215,288
Aircraft lease deposits	8	42,343,350	37,669,225
Deferred charges		33,254,909	6,457,738
Goodwill	9	189,474,216	189,474,216
Intangible assets	10	1,092,346,500	1,092,346,500
Investment property	11	51,039,583	51,602,083
Advance for new aircraft	12	235,106,047	160,181,266
Property and equipment	13	<u>651,362,791</u>	<u>112,239,533</u>
Total non-current assets		3,632,615,734	2,231,185,849
Total Assets		5,872,059,804	5,337,559,432
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		294,714,881	182,028,689
Deferred income		136,475,030	104,303,403
Due to related parties		<u>11,108,598</u>	<u>11,761,752</u>
Total current liabilities		442,298,509	298,093,844
Non-current liabilities			
Due to a related party		-	2,250,000
Provision for employees' end of service indemnity		<u>8,110,629</u>	<u>7,738,209</u>
Total non-current liabilities		8,110,629	9,988,209
Total Liabilities		450,409,138	308,082,053
Capital and reserves			
Share capital	14	4,666,700,000	4,666,700,000
Statutory reserve		27,665,734	27,665,734
Investments revaluation reserve		22,812,274	4,866,635
Retained earnings		<u>704,472,658</u>	<u>330,245,010</u>
Total Equity		5,421,650,666	5,029,477,379
Total Liabilities and Equity		5,872,059,804	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 nine month period ended September 30, 2008
(In Arab Emirates Dirhams)**

	Notes	Nine month period ended September 30, 2008 Unaudited	Period from inception to September 30, 2007 Unaudited	Three month period ended September 30, 2008 Unaudited
Revenue		1,495,348,579	431,299,659	624,668,554
Cost of sales	15	(1,223,851,038)	(277,557,377)	(478,078,145)
Gross profit		271,497,541	153,742,282	146,590,409
Selling and marketing costs	16	(26,542,339)	(11,289,794)	(9,139,471)
General and administrative expenses	17	(46,781,985)	(15,917,287)	(17,501,561)
Operating profit		198,173,217	126,535,201	119,949,377
Profit on bank deposits		117,406,247	52,070,753	37,882,971
Dividend income		56,297,442	-	55,788,981
Other income		2,350,742	9,809,908	778,383
Profit for the period	18	374,227,648	188,415,862	214,399,712
Basic earnings per share	19	0.08	0.04	0.05

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 nine month period ended September 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>
Share capital introduced	4,666,700,000	-	-	-	4,666,700,000
Pre-incorporation profit directly recognised in equity	-	-	-	75,938,829	75,938,829
Loss on available-for-sale investments directly recognised in equity	-	-	(572,449)	-	(572,449)
Profit for the period	-	-	-	188,415,862	188,415,862
Total recognised income and expense for the period	-	-	(572,449)	264,354,691	263,782,242
Balance at September 30, 2007 (Unaudited)	4,666,700,000	-	(572,449)	264,354,691	4,930,482,242
	=====	=====	=====	=====	=====
Balance at December 31, 2007 (Audited)	4,666,700,000	27,665,734	4,866,635	330,245,010	5,029,477,379
Gain on available-for-sale investments directly recognised in equity	-	-	17,945,639	-	17,945,639
Profit for the period	-	-	-	374,227,648	374,227,648
Total recognised income and expense for the period	-	-	17,945,639	374,227,648	392,173,287
Balance at September 30, 2008 (Unaudited)	4,666,700,000	27,665,734	22,812,274	704,472,658	5,421,650,666
	=====	=====	=====	=====	=====

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 nine month period ended September 30, 2008
(In Arab Emirates Dirhams)**

	Nine month period ended September 30, 2008 <u>Unaudited</u>	Period from inception to September 30, 2007 <u>Unaudited</u>
Operating activities		
Profit for the period	374,227,648	188,415,862
Adjustment for:		
Depreciation of property and equipment - net	18,649,841	1,557,280
Depreciation of investment property	562,500	210,417
Amortisation of deferred charges - net	3,633,079	7,929,225
Profit on bank deposits	(117,406,247)	(52,070,753)
Rental income	(1,687,500)	(841,667)
Dividend income	(56,297,442)	-
Operating cash flows before movements in working capital	221,681,879	145,200,364
Increase in fixed deposits with maturity over three months	(1,696,208,444)	-
Increase in margin deposits	(418,500)	-
(Increase)/ decrease in trade and other receivables	(42,265,053)	1,846,274
Decrease in due from related parties	1,596,548	3,263,526
Increase in inventories	(863,304)	-
(Increase)/ decrease in aircraft lease deposits	(4,674,125)	2,364,032
Increase in trade and other payables	112,686,192	11,884,915
Increase/(decrease) in deferred income	32,171,627	(47,157,607)
Decrease in due to related parties	(2,903,154)	(111,812,040)
Cash (used in)/ generated from operations	(1,379,196,334)	5,589,464
Net movement in employees' end of service indemnity	372,420	563,835
Net cash (used in)/from operating activities	(1,378,823,914)	6,153,299
Investing activities		
Increase in advance for new aircraft	(74,924,781)	-
Purchase of property and equipment - net	(557,773,099)	(37,484,746)
Increase in deferred charges - net	(30,430,250)	(15,159,376)
Purchase of available-for-sale investments	(738,527,411)	-
Profit on bank deposits	117,406,247	52,070,753
Rental income	1,687,500	841,667
Dividend received	56,297,442	-
Pre-incorporation profit	-	75,938,829
Net cash (used in)/from investing activities	(1,226,264,352)	76,207,127
Financing activities		
Share capital received in cash	-	3,266,700,000
Cash from financing activities	-	3,266,700,000
Net (decrease)/increase in cash and cash equivalents	(2,605,088,266)	3,349,060,426
Cash and cash equivalents at the beginning of the period/ acquired at June 19, 2007	<u>2,969,905,739</u>	<u>200,077,677</u>
Cash and cash equivalents at the end of the period (see Note 24)	364,817,473 =====	3,549,138,103 =====

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 nine month period ended September 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 U.A.E. 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 comparative amounts in the condensed consolidated statements of income, changes in equity and cash flows were for the period from inception on June 19, 2007 to September 30, 2007 and accordingly condensed consolidated statements of income, changes in equity and cash flows and related notes are not directly comparable.

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 9 months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2008.

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

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

2. Basis of preparation (continued)

(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.

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 September 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 nine month period ended September 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.

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

AFS financial assets

Investments in listed shares that are traded in an active market and investments in unlisted fund held by the Group are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

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 balance sheet 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 equity.

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. Land granted by the Government of Sharjah on which investment property is constructed is stated at a nominal value of AED 1.

Property and equipment

Land granted by the Government of Sharjah is stated at a nominal value of AED 1.

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

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

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

4. Accounting policies (continued)

Property and equipment (continued)

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

5. Bank balances and cash

	September 30, 2008 Unaudited AED	December 31, 2007 Audited AED
Cash on hand	<u>908,238</u>	<u>590,586</u>
Bank balances:		
Current accounts	40,955,698	55,796,746
Call deposits	35,883,710	76,773,398
Margin deposits	418,500	-
Fixed deposits	<u>1,983,278,271</u>	<u>2,836,745,009</u>
	<u>2,060,536,179</u>	<u>2,969,315,153</u>
	<u>2,061,444,417</u>	<u>2,969,905,739</u>
	=====	=====
Bank balances:		
In U.A.E.	1,748,619,882	2,967,244,330
Outside U.A.E	<u>311,916,297</u>	<u>2,070,823</u>
	<u>2,060,536,179</u>	<u>2,969,315,153</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 nine month period ended September 30, 2008**

6. Trade and other receivables

	September 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Trade receivables	94,122,054	87,166,947
Allowance for doubtful debts	(241,521)	(242,130)
	93,880,533	86,924,817
Prepaid aircraft lease rentals and expenses	20,764,531	15,539,446
Advances and other receivables	61,629,875	31,545,623
	176,274,939	134,009,886
	=====	=====

7. Available-for-sale investments - Fair value

	September 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Quoted	19,424,983	30,125,288
Unquoted	1,318,263,355	551,090,000
	1,337,688,338	581,215,288
	=====	=====
In U.A.E.	386,874,983	213,875,288
Outside U.A.E.	950,813,355	367,340,000
	1,337,688,338	581,215,288
	=====	=====

8. Aircraft lease deposits

Aircraft lease deposits are deposits placed with lessors located outside U.A.E. for leasing the aircraft.

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

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

9. 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:

	September 30, 2008
	Unaudited AED
Total fair value of Air Arabia Company L.L.C. as of June 19, 2007 (see Note 14)	1,400,000,000
Fair value of intangible assets (see Note 10)	(1,092,346,500)
Fair value of tangible assets (net)	(118,179,284)
	189,474,216
	=====

10. 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	48,382,500
	1,092,346,500
	=====

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

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

11. Investment property

	September 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Cost	54,039,583	54,039,583
Accumulated depreciation	(3,000,000)	(2,437,500)
Carrying amount	51,039,583	51,602,083
	=====	=====

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 recognised at nominal value of AED 1.

The construction of the building was financed by Sharjah Airport International Free Zone, a related party and later the building was leased to this related party by Air Arabia Company L.L.C. (Air Arabia) for a period of 50 years from October 1, 2004 at an annual rent of AED 3 million for the first five years and at AED 3.3 million annually for the balance of forty five years. The finance obtained from this related party for the building construction amounting to AED 15 million, was bridged with rental receipts of AED 15 million receivable from them for the first five years of the lease.

12. Advance for new aircraft

Advance for new aircraft represents pre-delivery payments made to suppliers outside U.A.E. for an amount of USD 63.97 million (AED 235.1 million) (2007: USD 43.6 million, AED 160.2 million) made in respect of 44 Airbus A320 aircraft.

13. Property and equipment

	September 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Cost	678,808,008	121,501,125
Accumulated depreciation	(27,445,217)	(9,261,592)
Carrying amount	651,362,791	112,239,533
	=====	=====

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

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

13. Property and equipment (continued)

During the period, additions to property and equipment amounted to AED 557,773,099 (period from inception to September 30, 2007: AED 37,484,746) which mainly comprises aircraft purchases amounting to AED 478,282,875 (2007: Nil). Depreciation for the 9 month period ended September 30, 2008 amounted to AED 18,649,841 (period from inception to September 30, 2007: AED 1,557,280).

All properties and equipments are located in U.A.E.

Property and equipment includes one plot of land in Sharjah, granted by the Government of Sharjah recognised at nominal value of AED 1.

The following useful lives are used in calculation of depreciation:

	<u>Years</u>
Aircraft	15
Aircraft engines	20
Airport equipments	10
Aircraft rotables and equipment	3 - 10
Other property and equipment	3

14. Share capital

	<u>September 30, 2008</u> Unaudited AED	<u>December 31, 2007</u> Audited AED
1,400,000,000 shares of AED 1 each paid in-kind (see Note 9)	<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> =====	<u>4,666,700,000</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 nine month period ended September 30, 2008**

15. Cost of sales

	Nine month period ended September 30, 2008	Period from inception to September 30, 2007	Three month period ended September 30, 2008
	Unaudited AED	Unaudited AED	Unaudited AED
Staff costs	154,516,370	39,554,760	58,687,923
Lease rentals	144,815,181	38,250,423	47,252,265
Fuel	637,670,916	107,347,882	264,251,345
Maintenance expenses	104,657,431	34,642,595	39,658,834
Ground and technical handling charges	71,832,344	24,226,834	29,684,207
Landing and over flying charges	65,900,303	24,018,937	25,465,979
Insurance	8,133,705	2,219,051	3,043,359
Service costs	14,220,423	2,970,879	3,666,874
Other operating costs	22,104,365	4,326,016	6,367,359
	1,223,851,038	277,557,377	478,078,145
	=====	=====	=====

16. Selling and marketing costs

	Nine month period ended September 30, 2008	Period from inception to September 30, 2007	Three month period ended September 30, 2008
	Unaudited AED	Unaudited AED	Unaudited AED
Staff costs	10,794,137	3,819,502	2,860,488
Advertisement expenses	12,091,756	6,533,974	4,622,550
Reservation management expenses	3,656,446	936,318	1,656,433
	26,542,339	11,289,794	9,139,471
	=====	=====	=====

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

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

17. General and administrative expenses

	Nine month period ended September 30, 2008	Period from inception to September 30, 2007	Three month period ended September 30, 2008
	Unaudited AED	Unaudited AED	Unaudited AED
Staff costs	18,551,514	7,597,928	6,117,733
Rent	3,431,514	693,592	945,327
Legal and professional fees	6,448,438	3,752,881	2,190,389
Travel and accommodation costs	2,790,518	716,033	2,021,055
Communication costs	1,600,487	511,356	602,235
Printing and stationary	944,004	387,610	349,789
Depreciation of property and equipment	1,298,452	483,733	381,026
Other expenses	11,717,058	1,774,154	4,894,007
	46,781,985	15,917,287	17,501,561
	=====	=====	=====

18. Profit for the period

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

	Nine month period ended September 30, 2008	Period from inception to September 30, 2007	Three month period ended September 30, 2008
	Unaudited AED	Unaudited AED	Unaudited AED
Staff costs	183,862,021	50,972,190	67,666,144
Depreciation of property and equipment	18,649,841	1,557,280	9,768,914
Depreciation of investment property	562,500	210,417	187,500
Amortisation of deferred charges	3,633,079	7,929,225	1,714,714

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

19. Basic earnings per share

	Nine month period ended September 30, 2008	Period from inception to September 30, 2007	Three month period ended September 30, 2008
	Unaudited AED	Unaudited AED	Unaudited AED
Profit for the period (in AED)	374,227,648	188,415,862	214,399,712
Number of shares	4,666,700,000	4,666,700,000	4,666,700,000
Basic earnings per share (in AED)	0.08	0.04	0.05

Basic earnings per share is calculated by dividing the profit for the period by the number of shares outstanding as of the balance sheet date.

20. 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.

As of September 30, 2008, the Company has suspended the operations in Nepal carried out through Yeti Airways International Pvt. - Joint Venture. This Joint Venture entity is under liquidation as of September 30, 2008.

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

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

20. 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:

	September 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Current assets	42,390,502	34,084,973
Non-current assets	21,546,575	13,639,345
Current liabilities	27,118,402	26,497,803
Non-current liabilities	1,523,066	622,140

	Nine month period ended September 30, 2008	Period from inception to September 30, 2007	Three month period ended September 30, 2008
	Unaudited AED	Unaudited AED	Unaudited AED
Income	80,161,764	18,172,648	21,081,574
Expenses	84,213,029	17,131,230	21,151,354

21. Operating lease arrangements

	Nine month period ended September 30, 2008	Period from inception to September 30, 2007	Three month period ended September 30, 2008
	Unaudited AED	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	135,751,793	35,622,088	45,466,982

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

21. Operating lease arrangements (continued)

Details of aircraft lease agreements are as follows:

	Number of aircraft	
	September 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
	=====	=====

The fixed lease commitments against delivered aircraft are as follows:

	September 30, 2008	December 31, 2007
	Unaudited	Audited
	AED	AED
Within one year	164,927,341	145,028,455
In the second to fifth years inclusive	413,339,892	427,675,191
After five years	13,092,033	11,075,208
	591,359,266	583,778,854
	=====	=====

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

	September 30, 2008	December 31, 2007
	Unaudited	Audited
	AED	AED
Within one year	38,667,791	26,305,945
In the second to fifth years inclusive	438,998,566	498,251,089
After five years	205,703,891	323,744,824
	683,370,248	848,301,858
	=====	=====

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

21. Operating lease arrangements (continued)

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.

22. Contingent liabilities

	September 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Letters of credit	51,398,363	50,921,134
Letters of guarantee	12,155,166	8,470,248

23. Capital commitments

The Group has entered into the following capital commitments:

	September 30, 2008	December 31, 2007
	Unaudited AED	Audited AED
Authorised and contracted:		
Aircraft fleet	13,003,335,195	10,244,169,824
Non-aircraft	5,383,875	6,155,625
Joint ventures	-	36,750,000
	13,008,719,070	10,287,075,449
	=====	=====
Authorised but not contracted:		
Aircraft fleet	1,442,807,191	3,858,750,000
Joint ventures	18,375,000	18,375,000
	1,461,182,191	3,877,125,000
	=====	=====

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

23. Capital commitments (continued)

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 September 30, 2008 this venture was still in the early stages of development and a launch date had not been announced.

24. Cash and cash equivalents

	September 30,	
	2008	2007
	Unaudited	Unaudited
	AED	AED
Bank balances and cash	2,061,444,417	3,549,138,103
Fixed deposits with maturity over 3 months	(1,696,208,444)	-
Margin deposits	(418,500)	-
	364,817,473	3,549,138,103
	=====	=====

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

25. Segment information

Primary reporting format - business segments

Nine month period ended September 30, 2008	Airline	Other segments	Eliminations	Total
	Unaudited AED	Unaudited AED	Unaudited AED	Unaudited AED
Revenue				
External sales	1,413,222,325	2,725,367	-	1,415,947,692
Inter-segment sales	-	34,700	(34,700)	-
Total Revenue	1,413,222,325	2,760,067	(34,700)	1,415,947,692
	=====	=====	=====	=====
Result				
Segment result	201,413,262	1,867,967	-	203,281,229
Share of losses in joint ventures				(4,051,265)
Profit from bank deposits and other income				174,997,684
Profit for the period				374,227,648
				=====
Other information				
Additions to property and equipment and deferred charges	552,012,747	-	-	552,012,747
Depreciation and amortisation	20,757,686	118,940	-	20,876,626
	=====	=====	=====	=====
September 30, 2008				
Assets				
Segment assets	2,518,065,267	5,661,851	(49,180,143)	2,474,546,975
Unallocated Group assets				3,397,512,829
Total Assets				5,872,059,804
				=====
Liabilities				
Segment liabilities	420,397,241	1,370,430	(12,190,642)	409,577,029
Unallocated Group liabilities				40,832,109
Total Liabilities				450,409,138
				=====

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

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

25. Segment information (continued)

Primary reporting format - business segments (continued)

Period from inception to September 30, 2007	<u>Airline</u> Unaudited AED	<u>Other segments</u> Unaudited AED	<u>Eliminations</u> Unaudited AED	<u>Total</u> Unaudited AED
Revenue				
External sales	412,371,056	1,188,475	-	413,559,531
Inter-segment sales	-	4,584,496	(4,584,496)	-
Total Revenue	412,371,056	5,772,971	(4,584,496)	413,559,531
	=====	=====	=====	=====
Result				
Segment result	134,034,276	638,165	-	134,672,441
Share of profit in joint ventures				1,041,418
Profit from bank deposits and other income				52,702,003
Profit for the period				188,415,862
				=====
Other information				
Additions to property and equipment and deferred charges	51,473,492	310,100	-	51,783,592
Depreciation and amortisation	8,814,479	94,674	-	8,909,153
	=====	=====	=====	=====
December 31, 2007 - Audited				
Assets				
Segment assets	2,177,187,031	4,480,836	(25,239,310)	2,156,428,557
Unallocated Group assets				3,181,130,875
Total Assets				5,337,559,432
				=====
Liabilities				
Segment liabilities	285,897,037	2,057,382	(6,992,309)	280,962,110
Unallocated Group liabilities				27,119,943
Total Liabilities				308,082,053
				=====

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 79,400,887 (September 30, 2007: AED 17,524,549) 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 fixed 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 9 and 10). 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 nine month period ended September 30, 2008**

26. Approval of consolidated interim financial information

The consolidated interim financial information was approved and authorised for issue on November 3, 2008.

27. 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. The comparative amounts in the condensed consolidated statements of income, changes in equity and cash flows were for the period from inception on June 19, 2007 to September 30, 2007 and accordingly condensed consolidated statements of income, changes in equity and cash flows and related notes are not directly comparable.