

ANNUAL REPORT 2008



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His Highness Sheikh
Khalifa bin Zayed Al Nahyan
President of the United Arab Emirates



His Highness Sheikh Dr.

Sultan Bin Mohammad Al Qasimi

Member of the Supreme Council Ruler of Sharjah



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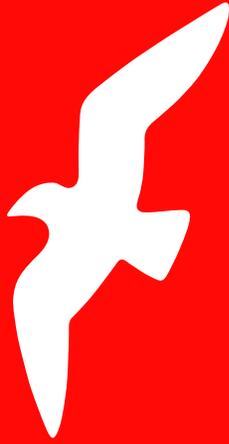
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Your personal
AIRLINE





Air Arabia achieved a profit of AED 510 million in 2008 and was declared the world's most profitable airline. The airline flew over 10 million passengers since inception and offered lowest fares in the market.

For long, Air Arabia believed that air travel is another mean of transportation that everyone should be able to afford. Over the past five years, the company was keen to make this dream come true; and it did. From the fastest growing airline in the Middle East, Air Arabia will continue to expand to more destinations, offering great value for money and unique travel experience.



Our VISION

“To be one of the world’s
leading budget airlines”

In terms of:

- Profit Margin
- Innovation
- Reputation
- Operational Excellence

Our MISSION

“To revolutionise air travel in the region through an innovative business approach offering superb value for money and a safe, reliable operation”

To achieve this we will:

- Be known for our low fares
- Grow our business profitably
- Build motivated multi-functional teams
- Demonstrate the highest operational standards
- Manage our costs ruthlessly

Board of DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS ARE:

Sheikh Abdullah Bin Mohamed Al Thani	Chairman
Mr. Adel Abdullah Ali	Executive Director
Mr. Arif Naqvi	Non Executive Director
Dr. Ghanem Mohammed Al Hajri	Independent Director
Mr. Mustafa Abdel-Wadood	Non Executive Director
Mr. Abdulwahab Mohammed Al Roomi	Independent Director
Mr. Taryam Mattar Taryam	Independent Director



HH Sheikh Abdullah Bin Mohamed Al Thani
Chairman, Air Arabia



Mr. Adel Abdullah Ali
Chief Executive Officer, Air Arabia

HH Sheikh Abdullah Bin Mohammed Al Thani holds several prominent positions in the UAE.

HH Sheikh Abdullah is a member of Sharjah Executive Council and also the chairman of Sharjah Airport Authority and has been renowned for his contributions in the development of the Aviation Industry in UAE, and his efforts have significantly enhanced Sharjah Tourism.

Mr. Adel Ali, recently awarded world's Low Cost Airline CEO of the year, has been given credit for setting up the Middle East and North Africa's first low-cost carrier (LCC), Air Arabia. Mr. Ali enjoys over 26 years of strategic aviation and had previously served as Vice President (Commercial and Customer Service) for Gulf Air, where he played a central role in the airline's recovery. Before that, he spent over 20 years with British Airways where he also held senior management positions, including General Manager (Middle East and Africa).

Mr. Ali has served as a Director and a Senior Board Member for a number of companies in the Middle East and Europe and currently is the Chairman of Sharjah Information Systems Associates (ISA) and Alpha Flight Services. He has been recognized within the industry as a Middle East airline expert and has been ranked among 28th most influential Arabs by Arabian Business magazine.

Mr. Ali's innovative achievements have been globally recognized through driving Air Arabia's growth to become the largest low cost carrier in the Middle East as well as the first publicly owned airline and among the top 40 most admired companies in the Arab World, all within a span of only five years.



Mr. Arif Masood Naqvi
Executive Vice Chairman and Chief
Executive Officer, Abraaj Capital Limited

Mr. Arif Naqvi is the Executive Vice Chairman and Chief Executive Officer of Abraaj Capital, the largest private equity firm in the MENASA region, based in Dubai. Mr. Arif Naqvi is a member of the Young Presidents Organization, Arab Business Council of World Economic Forum and is a board member of the Pakistan Human Development Fund, the King Abdullah II Award for Youth Innovation and Achievement in Jordan, the Dubai Government Education Endowment Fund in the UAE and a member of the EMPEA Advisory Council.

Mr. Naqvi has been recognized as one of the 50 most influential people in the Private Equity Industry and received the highest civil honor in Pakistan, Sitari-e-Imtiaz, by the Republic's President in 2006.



Dr. Ghanem Mohammed Al Hajri
Director General of Sharjah Airport
Authority

Dr. Ghanem Mohammed Al Hajri is currently the Director General of Sharjah Airport Authority. Dr. Ghanem has served in numerous regional and international senior aviation posts including Secretary General for Gulf Airports Services Association (GASA) and Secretary General of Arab Airport's council.

Dr. Ghanem has been a Member of the Board of Directors of the Airport Council International (ACI) since 1991, through his career he was elected President ACI Asia Region, then elected as Vice Chairman and second Deputy Chairman ACI, and finally was elected as Chairman ACI.

Dr. Ghanem Holds a Doctorate Degree in Air Transport from Cranfield College of Aeronautics, United Kingdom.



Mr. Mustafa Abdel-Wadood
Managing Director,
Abraaj Capital

Mr. Mustafa Abdel-Wadood is the Managing Director of Abraaj Capital, the leading private equity firm in the MENASA region based out of Dubai. Besides the Board of Air Arabia, Mustafa sits on Board of Directors of Abraaj Capital, Egyptian Fertilizers Company, EFG-Hermes, Jordan National Bank, BMA Capital, Jordan Aircraft Maintenance Company and other various boards.

Earlier, Mr. Mustafa played a huge role with EFG as CEO of EFG-Hermes (UAE), was Co-founder and Managing Director of Sigma Capital, and was Director of Development and Investments at Orascom and Board Member of Orascom Telecom.

Mustafa was selected by the World Economic Forum as one of the 100 Global Leaders for Tomorrow for the Year 2002 and as a Young Global Leader (YGL) for 2007.



Mr. AbdulWahab Mohammad Al Roomi
Director General of Civil Aviation,
Sharjah

Mr. AbdulWahab Mohammad Al Roomi is the Director General of Civil Aviation, Sharjah.

Mr. Abdul Wahab sits on various boards along with Air Arabia's board, such as Board Member Sharjah Commerce & Tourism Development Authority, Board Member Sharjah International Free Zone, and Board Member Sharjah International Airport.

He is an Engineer, holding a Degree in Chemical and Petroleum Engineering from Al Ain University in UAE.



Mr. Taryam Mattar Taryam
Director General of Sharjah Airport
International Free Zone

Mr. Taryam Mattar Taryam enjoys wide and long years of experience in the telecom industry where he spent 17 years with Emirates Telecommunications Company (ETISALAT) where he held the position of General Manager.

Mr. Taryam and for the last nine years has been the Director General of Sharjah Airport International Free Zone (SAIF-Zone) and along with Air Arabia, Mr. Taryam is a member of Board of Directors for Sharjah International Airport.

AIR ARABIA



Dear Shareholders,

It has been one year since Air Arabia Annual General Meeting convened, a year full of challenges and success. We are pleased to present to you the Air Arabia 2008 annual report.

The year 2008 was a gratifying and successful year for Air Arabia. It was also, very close to our hearts as we celebrated the airline's fifth anniversary. In accordance with the vision of His Highness Dr Sheikh Sultan Bin Mohammad Al Qasimi, Member of the Supreme Council and Ruler of Sharjah, we have driven Air Arabia to become a world recognized airline in just five years time.

Today, we stand proud to see that low cost travel has become a choice of travel to a large segment of our communities, we also stand proud to see the Air Arabia name spotted on the global scene, and of course we stand proud to see that your trust and confidence in Air Arabia has grown year after year.

Letter

THE YEAR IN REVIEW

The year 2008 has presented many challenges to all operating airlines in the world. The World economy was declared in trouble, oil prices were volatile and far from stable, matched with a severe economic slowdown or what was later called recession. As the crisis intensified, the effects of financial turmoil on developing countries increased in step with that on operating airlines. Many airlines filed for bankruptcy throughout the year and many others suffered and are still suffering from nett losses.

The environment was not much different for Air Arabia. While the economic situation had put additional pressure on the company bottom lines; Air Arabia maintained its high levels of growth, further commenced on its expansion strategy and recorded solid financial results than ever.

In October 28th, we celebrated Air Arabia fifth anniversary carrying over 10 million passengers since inception and offering over 12,500 free seats on that day as part of celebrations. We have managed to increase the existing fleet to reach a total of 16 aircraft by end of the year. In November 2008, we decided to further increase our investment in fleet growth to match our expansion plans and signed a contract with Airbus for 10 additional aircraft raising the total number of aircraft on order to 44 Airbus A320 aircraft.

The year has also seen us introducing seven new destinations to our global network, increasing the total number of destinations to 44 comprehensive routes besides increasing frequencies to existing destinations. We also believed that growing ancillary revenue is a very important element that contributes to the company profitability margins and therefore, we were keen on organically growing this part of the business.

In last quarter of 2008, we introduced "Air Arabia Maroc" as the latest member of Air Arabia family and to serve as the airline's second hub in Casablanca, Morocco. This new airline will start operations in 2009 and will extend Air Arabia brand to reach further Europe, Africa and the Middle East.



UN-MATCHED PROFITABILITY

Air Arabia results for the year ended December 31, 2008 were outstanding. Net profits reached AED 510 million with 36 % increase compared to same period of 2007. Revenue generated was AED 2.066 billion, a 61% increase compared to AED 1.283 billion of the year 2007. We have carried 3.6 million passengers in 2008, a 33% increase compared to the number of passengers carried in 2007.

At a time when airlines across the globe were freezing operations and trying to cut expenses; we managed to stand out and delivered profitability better than expectations. This resulted in several respected Aviation bodies recognizing Air Arabia to be the "World's Most Profitable Airline in 2008". We have long believed that maximizing profitability lies in maintaining very low operational costs, and thus, Air Arabia still maintain one of the world's lowest operational costs along with the highest aircraft utilization. We believe the dynamic business model that we were able to establish over the past years will help us sustain leadership over the LCC segment in this part of the world and compete on a global level.

As we grow our business further, profitability will remain among the core objectives that we will constantly strive for. After five years of sustained growth in profit margins, we will keep exploring various commercial opportunities that will positively contribute to the company bottom lines.

LOOKING FORWARD

Over the past years, we have established a very strong brand that enjoys a huge base of loyal customers. We have also built the right infrastructure that will support the company growth in the future. We have set a series of joint ventures to support operations and established complementary subsidiaries that will add to profitability figures. At the same time, we have seen continuous support from the magnificent management at Sharjah International Airport through which we will continue to expand.

Following the successful Initial Public Offering in March 2007, we have forged ahead with a three years expansion plan aiming to grow Air Arabia internationally as much as possible. As we will continue to expand from Sharjah hub, we will start operations from our second hub in Casablanca, Morocco in 2009, entering new niche markets spreading across Europe and Africa. Throughout 2009 as well, we will unveil our plans for Air Arabia's third hub in the Levant / North Africa region that will complete the comprehensive route network we are building, linking the whole range of Arab world and Europe. The year ahead holds many challenges for us and the world's aviation. Air Arabia management will constantly deliver the best it can to maintain market leadership.

And finally, to our customers, we thank each of you for your continuous support and we reinforce our commitment to make your air travel experience exceptional every time.

Yours Sincerely,

Air Arabia



Board of directors REPORT

The Board of Directors of Air Arabia PJSC is pleased to announce the company's trading results for the period ended 31st December 2008.

During this time Air Arabia produced a net profit after finance receipts and other income of AED 510m from Sales revenues of AED 2.066 Billion. This was a 36% increase over the same period last year. The company carried a total of 3.6m passengers during the year, an increase of 33% over 2007, at the same time achieving an exceptional load factor of 85%.

This was another excellent performance by the airline under very difficult trading conditions caused mainly by the huge variations in the cost of aviation fuel during the year, and is evidence of the continuing strong demand for the Air Arabia business model in particular, and for Low cost air travel in general.

During the year we added 7 new destinations to our network and rapidly expanded fleet to reach 16 aircraft, bring our total route network to 44 destinations in 22 different countries.

It is also pleasing to note the performance of our joint venture and subsidiary companies as each one of them returned a profitable performance during the year, adding in total an extra AED 18m to the group's net profit.

As always the most important part of our business is our people. During 2008 the Air Arabia family reached over 1000 employees for the first time. The Chairman and Board of Directors are proud of the part played by each and every one of them in the group's success, and they would like to thank all of Air Arabia's staff for their continued hard work, professionalism and dedication during 2008.

The strength of Air Arabia's business model, the dedication of its employees, and the loyalty of the millions of customers who have enjoyed its excellent service over the last five years gives the business a strong foundation with which to move on into the future, we look forward to the next phase in the company's development, and the many challenges this will bring.

Challenges and PROSPECTS

The global economy has passed through tremendous changes and challenges in 2008. Challenges that changed previous prospects and forecasts of economic analysts and shaped new dimensions and measures for everyone to consider.

The tensions in U.S. financial markets that started in the summer of 2007 transformed into a serious global financial crisis in 2008. The effects of financial turmoil have put immense pressures on the world's economies of scale. Volatile oil prices have upset airline's expectations resulting in over 30 airlines worldwide filing for bankruptcy, especially in August 2008 when oil price reached its peak with average 148\$ per barrel. The slip in oil price towards end of 2008 did not prevent airlines from recovering their losses due to the impact of the recession, where money saved on oil was eclipsed by drop in sales revenue, especially in USA and Europe.

The Middle East region wasn't isolated or immune to all those challenges, especially in the GCC's oil based economies, where huge investments in real estate were also taking place. However, dynamics of this emerging region and previous performances have helped Governments absorb the world economic hit with less impact. Additional pressure was put on the Transport sector, especially air travel, where many airlines in the region strived to break-even or score profits. The vague and uncertainty of the future is expected to affect consumer confidence, which in return will put pressures on travel demand and as a result on airlines bottom lines.

Competition, on the other hand, continues to grow, new low cost airlines are expected to launch and others to expand services into the region. In five years time, since Air Arabia started, low cost travel in the Middle East has grown to represent around 4.5% of total travel demand, which reflects the huge potential this industry carries. With more LCCs joining, it's of no surprise to say that the LCC segment will grow even further, strongly competing with the economy cabins of conventional airlines. In fact, we have seen traditional airlines taking new dimensions in their communications, promoting competitive fares instead of luxury services.



Other risk factors continue to be political, regulatory and infrastructure constraints. While improvements are taking place every year, more needs to be done in this area to match the growth of the airline industry. Full adoption of open skies, along with more dynamic and less congested airports are important elements to the industry's overall growth.

If we monitor the performance of low cost carriers in times of crisis, we see that they are well placed to withstand such times with less impact. Southwest was the only airline to score profits in US after September 11 attacks as well as Ryan Air and Easy Jet in Europe. The year 2008 saw Air Arabia scoring a profit of AED 510 million at a time where the World Economy has seen its worst recession since 1929. Low cost carriers enjoy low operational costs and dynamic business models that allow it to adapt to industry changes faster and embrace industry changes to its benefit. LCCs also benefit from travelers and companies making efforts to trim their travel expenditure and extract the maximum value from their travel budgets.

The world is changing and so traveler's perceptions and needs in this region. Its simplicity and efficiency after all what the industry is calling for - the battle of the fittest.

Milestones & Achievements of 2008

FIFTH ANNIVERSARY

In October 2008, we celebrated Air Arabia's fifth anniversary, marking five years of growth, success and change. What is better than making our customers celebrate with us, our way!

We declared October as the month of festivities and celebrations and introduced 30 days of promotional fares besides the industry's biggest promotional scheme by offering our passengers free flights on Air Arabia's fifth anniversary day, October 28, 2008, to any destination on the airline's network. We have made available over 12,500 free seats on the day, all of which were sold out prior to October 28.

The anniversary period culminated on October 31st with Air Arabia hosting a day of celebration and family fun at Qanat Al Qasbaa, Sharjah. The day was held for Air Arabia passengers, the media and the general public to attend. The celebration activities, which were open to all age groups and cultures, attracted over 13,000 visitors. It was a small attempt to say a big thank you to Air Arabia's passengers and partners for their loyalty to the carrier over the past five years.

FLEET EXPANSION

The year 2008 has seen Air Arabia increasing its fleet by 6 new aircraft expanding the company's fleet size to 16 (leased and owned) Airbus A320 aircraft. In March 2008, we purchased three Airbus A320 aircraft and throughout the year until October 2008, we have leased 3 new A320 aircraft. In November 2008, we decided to further increase our investment in fleet growth to match our expansion plans and signed an agreement with Airbus for 10 additional aircraft. The contract follows an earlier agreement for 34 Airbus A320 aircraft signed at the end of 2007, thus raising the total number of aircraft on order to 44 Airbus A320 aircraft.

NEW HUBS

In January 2008, we commenced operations from our hub in Kathmandu, Nepal, with the launch of FlyYeti.com, Nepal's first LCC. FlyYeti.com's inaugural flight took off from Kathmandu Airport on January 20 and the company managed to expand operations reaching four different destinations in just six months and enjoyed a healthy seat factor in excess of 80%. However, due to the political uncertainty and on-going opaque regulatory environment in the country, FlyYeti's management decided that it's to the benefit of the airline to suspend operations in mid-July 2008.



Air Arabia introduced its latest family member "Air Arabia Maroc" in the last quarter of 2008. Air Arabia's second hub in Casablanca, Morocco is expected to commence operations by end of first quarter of 2009. The new hub will operate across Europe and Africa.

NEW ROUTES. MORE FREQUENCIES

As every year, entering new cities and expanding network reach is something Air Arabia is renowned for. In 2008, we added seven new destinations to our comprehensive route network. We introduced services to Kozhikode and New Delhi, India in February and March respectively. Flights to Dhaka in Bangladesh and Shiraz in Iran started in June. The month of October witnessed expanding of our services in CIS and Africa by introducing services to Kiev in Ukraine and Nairobi in Kenya. Later same month, flights to Hyderabad in India commenced marking Air Arabia the biggest airline in the Middle East to serve India with 12 destinations. Due to increasing demand and business needs, we have increased flights to Kozhikode, Mumbai, and



Hyderabad in India; Khartoum in Sudan; Beirut in Lebanon; Amman in Jordan; and Riyadh and Jeddah in KSA throughout the year.

By end of 2008, Air Arabia route network reached 44 destinations across the Middle East, North Africa, Indian Subcontinent, Eastern Europe and Central Asia.

February 26, 2008	Kozhikode
March 30, 2008	New Delhi
June 8, 2008	Dhaka
June 25, 2008	Shiraz
October 15, 2008	Kiev
October 25, 2008	Nairobi
October 27, 2008	Hyderabad

NEW AND UNIQUE CUSTOMER SERVICES

As we grow bigger, customer convenience remain at the core of our business. In 2008, we have introduced a series of services to enhance our customer's travel experience. A new early check-in procedure was introduced at Sharjah International Airport in July followed by seat selection services in August which enabled customers to select their seats on board prior their flight. In October, we introduced "TravelSecure", unique and affordable travel insurance service. In December, we partnered with Emirates India International Exchange, offering customers another convenient and easy cash payment option.

In 2008, we also inaugurated a number of fully-dedicated sales shops in Almaty and Astana, Kazakhstan. We also opened the third fully-dedicated sales shop in the Emirate of Sharjah.

OVER 10 MILLION PASSENGER

In 2008, we passed the 10 million passenger mark since launch in October 2003. The year 2008 saw Air Arabia carrying 3.6 million passengers, a 33 per cent increase from same period in 2007. Just like the year before, 2008 saw Air Arabia achieving the highest seat factor among all low cost carriers in the world with an average of 85per cent.

WORLD'S MOST PROFITABLE AIRLINE IN 2008

The year 2008 is considered one of the toughest years in the aviation history due to troubled world economy and volatile oil prices. The year saw over 30 airlines filing for bankruptcy and many other posting net losses. All those factors have put additional pressure on Air Arabia's performance and bottom lines; however, due to the low operational cost and dynamic business model combined with geographical advantage of this region we maintained our growth and profitability. Air Arabia was declared the most profitable airline in the world by Centre for Asia Pacific Aviation (CAPA), the leading provider of independent aviation market intelligence, analysis and data services.

For the year 2008, Air Arabia posted Net profits reached AED 510 million with 36% increase compared to same period of 2007. Revenue generated was AED 2.066 billion, a 61% increase compared to AED 1.283 billion of the year 2007. We have carried 3.6 million passengers, a 33% increase compared to the number of passengers carried in 2007.

Air Arabia

PROJECTS



AIR ARABIA MAROC

In November 2007, Air Arabia announced the establishment of its second hub following the signing of a management agreement with Regional Air Lines, the leading private carrier in Morocco. Preparatory work on the establishment of the new hub was on full stream through 2008 and operations of the new airline is expected to start by the end of first quarter of 2009. In November 2008, we unveiled the name of the new airline, and welcomed 'Air Arabia Maroc' as the latest member of the Air Arabia family.

Air Arabia's second hub in Casablanca will provide the airline with a platform from which to reach the wider Europe, Middle East and Africa (EMEA) market. Air Arabia will assume management control of Air Arabia Maroc and apply its successful business model into it.



AIR ARABIA CENTRO HOTEL

In 2007, we announced the plans to construct a budget hotel at Sharjah International Airport and signed a management agreement with Rotana Hotels, to manage this property under their innovative Centro by Rotana brand, offering affordable, superior-class accommodation and hospitality.

In July 2008, we began construction of the 306-room budget hotel and appointed Gustav Pegel & Sohn as general contractor for the hotel, which is due for completion in first quarter of 2010.

We believe that this new project will complement the low cost air travel services we offer to our customers. The property, which will include both standard rooms and suites, will also offer comfort and convenience for travellers passing through one of the region's fastest-growing airports as well as for visitors to the emirate.





AIR ARABIA STUDIO APARTMENTS

Providing our staff with class A accommodation is something we always kept in our plans. In 2008, we broke ground on constructing a studio apartments project to offer our increasing number of employee's appropriate accommodation.

The project is expected to finish by 2009 and will offer Air Arabia staff a total of 152 apartments.



JOINT VENTURES

To support the infrastructure requirements behind Air Arabia's expansion strategy, we have entered into a series of joint ventures over the past years. Those joint ventures have developed into successful entities under Air Arabia's umbrella and started contributing to the company's profits margins.

ISA Aviation or Information System Associates is a joint venture between Air Arabia and John Keells Holdings (JKH), Sri Lanka's largest conglomerate. The company was established in September 2003 and provides leading IT solutions in the aviation industry.

ISA unique creation was the state of the art reservation system 'AccelAero' that is now used by many low cost airlines across the world. The company's impressive performance allowed it to develop other innovative products such as AccelAero.RM, AccelAero.HM BRS and Cesar.

SAS or Sharjah Aviation Services a joint venture between Air Arabia and the Sharjah Department of Civil Aviation. The company was launched in January 2007, in order to support the ongoing expansion of Sharjah Airport and became profitable after first year of operations. Sharjah Aviation Services deliver a comprehensive range of passenger, ramp and cargo handling services for airline operators and their customers at the airport.

Alpha Flight Services is a joint venture company between Air Arabia and UK based Alpha Catering Group. The company was established in May 2007 to support and enhance the quality of on board catering needs. Alpha Catering Sharjah is now a profitable company that contributes to Air Arabia group profits.

SATA or Sharjah Airport Travel Agency is a joint venture between Air Arabia and Sharjah International Airport. The company offer travel services to the different Emirates of UAE and also appointed as GSA for other several airlines. SATA is a profitable business entity.

Another joint venture was accomplished in November 2007 with Alpha Aviation Group, a specialist global aviation training provider to launch a new multi-million dollar International Aviation Training Academy based in Sharjah. The agreement will help Air Arabia meet its own internal needs for pilots to man its expanding aviation fleet.



Corporate Social RESPONSIBILITY



Air Arabia is not only committed to providing affordable air travel but is also dedicating to uplifting the lives of the less fortunate. Taking responsibility and lead on social needs of local and international communities has been part of our success. To this end, the carrier has implemented a corporate social responsibility (CSR) program with an emphasis on providing better education and healthcare for underprivileged communities.

Air Arabia was among the first to introduce a sustainable CSR initiative by launching 'Suhab Al Khair' project in collaboration with Sharjah Charity International. The program aims on raising funds through certain initiatives such as on-board donations. The fund is raised and collected annually and re-invested in educational and medical care establishments in needed countries.

As part of 2008 CSR initiatives, the company sponsored a new school in the Warkabola area in Sri Lanka. The airline donated an initial sum of US\$61,000 to extend an existing school, providing learners with better education facilities. Later same year, Air Arabia sponsored the first phase of renovations of the Shree Shagyodaya Secondary School in Kathmandu, Nepal. The airline assisted in erecting a pump and containers to supply water to the school. Full adoption of the school renovation will commence as phase two.

In 2007, Air Arabia and Sharjah Charity International inaugurated 'Air Arabia Medical Centre', the first free medical clinic in the needed area of Jallas in Sudan, a desert area with a population of over 20,000 and 450 km away from the Capital, Khartoum. The clinic, which is constantly developed, included an operation and examination room, maternity room as well as a laboratory and pharmacy.

In 2007, we also introduced the "Air Arabia World Endurance Sailing Challenge", an attempt from Air Arabia to help individual athletes achieve their sports dreams. Air Arabia helped one of its pilots to cross 550-kilometre laser sailing solo voyage from Bahrain to Dubai, setting a new World record for laser Endurance Sailing. The aim of this ocean voyage, which lasted three days and nights, was to raise funds for local charities in both the UAE and Bahrain.

As the Air Arabia network continues to grow, it is also reaching out to more underprivileged communities throughout the world, ensuring that they have chance to live a better life.

The Budge's
World Low Cost Airline
awards

WINNER

Best
Low Cost Airline -
Middle East Africa



AVIATION
AWARDS

0 0 8

Low Cost Carrier of the Year
Air Arabia

AWARDS

The year 2008 saw Air Arabia receive several notable regional and global accolades for its successful business and growth.

In May 2008, Air Arabia received the gold award in the best airline category at the MENA Travel Awards 2008. This is the fourth consecutive year that Air Arabia received this award. In August, the carrier has won the 2008 World Airline Award for “Best Low-Cost Airline in the Middle East” for the second consecutive year. This honour comes in recognition of Air Arabia’s exceptional level of overall passenger satisfaction. These awards, based on global, independent passenger surveys of airline standards carried out by Skytrax Research, are the outcome of the measurement of more than 35 different aspects of customer satisfaction levels of an airline’s product and service standards. As part of the World Airline Awards selection process, in excess of 4.4 million passengers, of more than 90 nationalities, were polled.

In September, Air Arabia received the “Best Branding Experience” award at India Travel Mart, India’s most prominent International Travel & Tourism Marts. On October 28th, the same evening as Air Arabia’s fifth anniversary celebrations, the carrier won the World Travel Award for Best LCC in the Middle East and North Africa. The award was presented to Air Arabia in recognition of its massive contribution to the low-cost travel industry in the region and the world.

In mid September, and in recognition of the enormous success of Air Arabia in the five years since it was launched, the airline’s Chief Executive Officer has been named the world’s low-cost carrier (LCC) “CEO of the Year” at the prestigious Budgie Awards, part of the World Low-Cost Airlines Congress, held in London, UK. Adel Ali was selected for this honour as the leader among his global peers, and lauded for his exceptional management skills and innovative vision. At the same event, Air Arabia was named “Best Low-Cost Airline in the Middle East and Africa.”

In November, Air Arabia won the coveted AVEX award for Best Regional Airline. The award ceremony was the culmination of the AVEX event schedule and took place in Sharm El Sheikh, Egypt. The prestigious AVEX award ceremony, took place among the splendour of one of the largest air show and aviation exhibitions in the Middle East and North Africa (MENA). The awards are designed to recognise safe, secure and sustainable development of aviation industry; reward those companies that have attained the highest standards of quality; and highlight the importance of, and the opportunities offered by, continuous growth of aviation in the Middle East. Later same month, Air Arabia has been named “Low-Cost Carrier of the Year” for the second consecutive year, at the Aviation Business Awards 2008. This honour comes in recognition of Air Arabia’s exceptional level of services, growth, outstanding performance, and reliability.

May	2008	MENA Travel Gold Award for best LCC
August	2008	World Airline Award for best LCC
September	2008	Best Branding Experience Award
September	2008	Best LCC in MENA region
September	2008	Adel Ali named World LCC CEO of the year
October	2008	World Travel Award for best LCC
November	2008	AVEX Award for best Regional Airline
November	2008	LCC of the Year

ABOUT Air Arabia



Air Arabia PJSC, listed on the Dubai Financial Market is the Middle East and North Africa's first and leading low-cost carrier (LCC). The company commenced operations in October 2003 and currently operates a fleet of 16 new Airbus A320 aircraft, serving over 44 destinations across Middle East, North Africa, Indian Subcontinent, CIS and Central Asia through its main hub in Sharjah, United Arab Emirates.

In just 5 years time, Air Arabia revolutionized the way aviation was perceived in the Middle East by customizing a successful low cost business model to accommodate local preferences of the region. The company was able to re-define the concept of air travel in this part of the world through offering a superb value for money travel along with a safe, consistent and reliable operation.

Air Arabia managed to grow organically over the past years. The company's fleet has grown tremendously which enabled the airline to offer the regions best network connectivity. Air Arabia currently employs over 1000 employee and enjoys one of the world's lowest operational costs. The efficiency of its operations, multi-functionality of its staff and ambitiousness of its management granted Air Arabia global recognition being one of the world's best airlines in 2008.

Air Arabia is the first publicly owned airline in the Arab world and enjoys a diverse investor's base of over 30,000 shareholders. In 2007, the company commenced with a three years plan to become a world leading low cost carrier (LCC). In addition to its UAE hub, the company will start operations from its second hub in Casablanca, Morocco in 2009 entering new niche markets spreading Europe, Middle East and North Africa. The company will introduce its third hub in the Levant region through 2009 and therefore, offering a network covering nearly half the universe. The company aims to grow its current fleet to over 50 aircraft by 2015 and has a confirmed order with Airbus for the acquisition of 44 A320 aircraft.



HISTORY AND DEVELOPMENT OF AIR ARABIA

Air Arabia is the first low cost carrier (LCC) in the Middle East and North Africa region. We are the international airline of the Emirate of Sharjah and one of the officially approved national carriers of the United Arab Emirates.

The low cost model has been warmly welcomed across the region since Air Arabia introduced it in October 2003 and continues to go from strength to strength. In just five years time, low cost travel have become the preferred choice of travel to wide audience and we have been able to carry over 10 million passengers.

Initially operating with two new Airbus A320 aircraft, Air Arabia's fleet in 2008 has increased to 16 (owned and leased) Airbus A320 aircraft flying to over 44 destinations with more significant growth planned. Based at Sharjah International Airport, Air Arabia customers enjoy the benefits of quick access to Sharjah, Dubai and other Emirates, fast check-in processes, low congestion, friendly airport staff, as well as access to other commercial carriers served at the airport.

Air Arabia enjoys an enviable reputation for the many milestone achievements earned in the airline's first five years. Our financial break even result in our first year of operation is a ground breaking feat for any airline. Air Arabia's profitability margin has been increasing on an average of 30% per annum over the past five years.

The reliable and profitable record the company has achieved since inception, allowed us to take a solid and pioneer step in converting the company into a public joint stock company (PJSC) in 2007. Currently, Air Arabia enjoys a strong base of over 30,000 local and international investors and its shares are traded on the Dubai Financial Market.

In November 2007, Air Arabia signed an agreement with Airbus for the acquisition of 34 A320 aircraft with 15 optional ones. In November 2008, the company

confirmed 10 additional A320 aircraft, raising the total number on order to 44 aircraft

Over the past five years, Air Arabia went through an aggressive expansion plan and has set a serious of partnership to man its growth. The company went into a joint venture with Sharjah Airport and establish Sharjah Aviation Services (SAS). It also set a joint venture with Alpha Aviation Group and launched a multi-million dollar international aviation academy, besides its partnership with Alpha Catering Group that resulted in establishing Alpha Catering Sharjah to enhance the quality of on-board products. Another joint venture was set with John Keells Holdings (JKH), Sri Lanka's largest conglomerate and Information System Associates (ISA) was created to cater to the technological requirements of the fast growing company.

In 2008, the company introduced "Air Arabia Maroc" - latest member of the Air Arabia family, Air Arabia Maroc, expected to start operations by end of first quarter of 2009 is a new airline based in Casablanca airport and established in partnership with Regional airlines of Morocco and Ithmar Bank of Bahrain. The new airline will expand Air Arabia brand and services to reach Europe and further North Africa and Middle East.

Ai Arabia's greatest asset is its people. The company's success is a result of efficient integration between different departments, multi-functionality of its teams and individual contributions. The company total head count reached more than 1000 employee in 2008, which reflects the growth the company is witnessing.

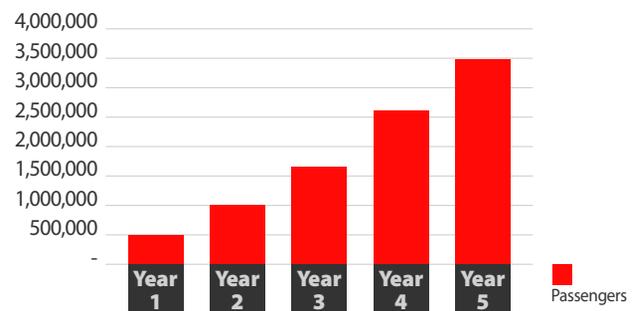
Air Arabia now stands as a vibrant and internationally recognized brand with a promising future ahead. The company's super performance in 2008 versus its global peers has granted Air Arabia the title "Best and most profitable airline in the world 2008".

Region's fastest growing AIRLINE

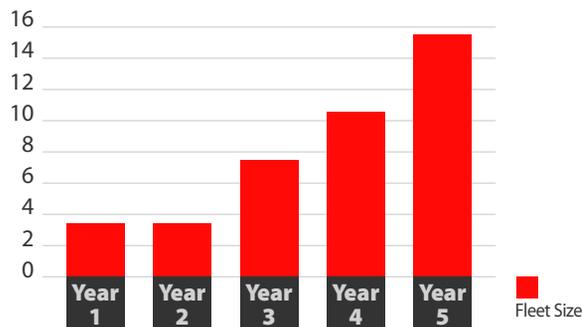
Over the past five years, Air Arabia witnessed immense growth on all aspects of the business, whether commercial, operational, profitability or human resource. We have managed to secure an annual average growth exceeding 25% every year.

Below charts showcase year on year growth in terms of Fleet, Destinations, Passenger number, Profitability and staff count.

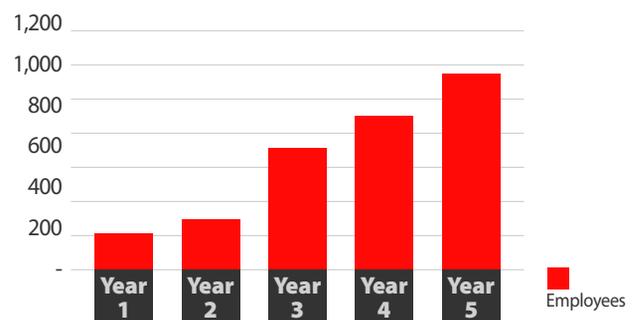
PASSENGERS GROWTH



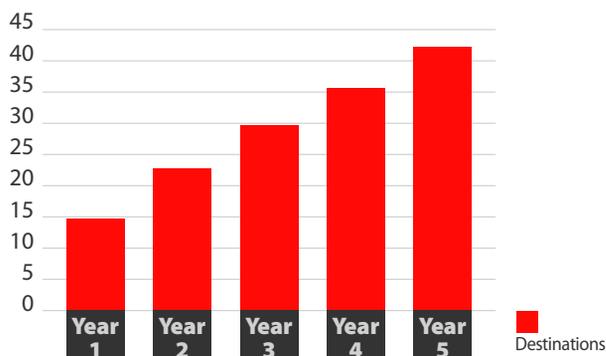
FLEET GROWTH



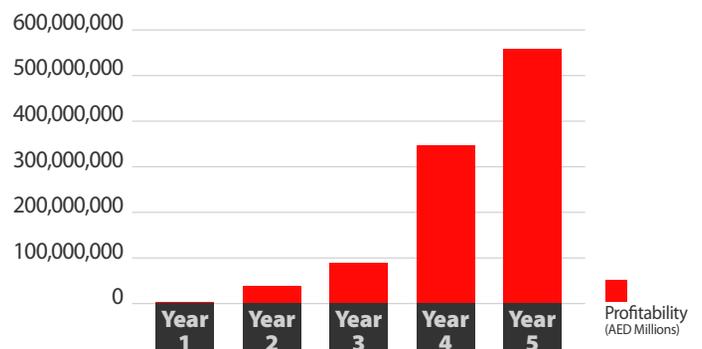
HEADCOUNT GROWTH



NETWORK GROWTH



PROFITABILITY GROWTH



Our greatest ASSET

Any great business is only as good as its team and Air Arabia is home to some of the aviation industry's best talent. Professional pilots and dedicated cabin crew are supported by highly experienced ground staff and cutting edge technology. Air Arabia's superior service and low cost are brought to you courtesy of a strong corporate vision and solid team spirit.

With full support from the chairman, HH Sheikh Abdullah Bin Mohammed Al Thani and the Board of Directors, Air Arabia founder and CEO Adel Ali is responsible for the vision behind the airline. With more than 26 years experience in the aviation industry he is wise to the risks and downfalls which is why each aspect of the business has been carefully considered and each department led and managed by the best people. His commitment to making Air Arabia a success paid off in 2008 when he was named world's low-cost carrier (LCC) "CEO of the Year" at the prestigious Budgie Awards, part of the World Low-Cost Airlines Congress, held in London, UK. At the same event Air Arabia picked up the Best Low Cost Carrier Award.

Air Arabia now employs more than 1000 dedicated staff and that number is set to grow as the airline expands. Air Arabia's growth from single destination to an ever expanding multi-destination airline has been rapid and the business strategy was consolidated in 2007 with the company's Initial Public Offering (IPO). The offering, one of the biggest of its kind at the time, was a huge success and marked Air Arabia as the Arab world's first publicly owned airline.

While the Air Arabia brand has a very public face, the seamless day-to-day operation of the company is down to a dedicated back office that represents the unsung heroes of the company. The Corporate Department handles the dynamic public, investors and corporate relations as well as driving business development and strategy. It's fair to say that the 'beating heart' of the company is the Operations

Department. This includes all Cabin Crew and Pilots and all front-line team that constitute the public face of Air Arabia. These multi-talented, multi-national teams are Air Arabia's on-board ambassadors. For any airline safety and security are not just a priority but a way of life. The Engineering Department is home to the industry's most dedicated technicians who guarantee the highest-levels of quality control, manage the fleet and make sure that each aircraft performs to its best.

The Commercial & Revenue Department includes all marketing and sales team that help promote and develop the brand as well as pursuing all commercial opportunities. Air Arabia employs people from all over the world and it's the Human Resource Department that is responsible for young, dynamic and diverse team who call Air Arabia home today. Recruitment and retention of staff is crucial to the company's growth and the team at Human Resources are constantly scouring the globe for the very best talent. Air Arabia has become synonymous with easy online booking and although it all looks simple, the IT Department has, perhaps, one of the toughest jobs at the airline. That of ensuring that the online system works, flawlessly 24-hours a day 365 days a year. Low-cost airlines survive and succeed by offering the very best prices possible, Air Arabia's Finance Department strive to ensure that the balance between affordable flights matches the service, safety and security of the people's favorite airline.

Air Arabia prides itself on it's team and understands the importance of offering long-term career prospects to match its long-term growth objectives but most of all it recognizes the importance of a loyal customer base. With this in mind and looking ahead to the next five years the airline would like to thank everybody that has flown and supported Air Arabia.

Global Ambition

Derived from our vision to be one of the world's leading budget airlines, we have now commenced with our three years plan that will allow us to expand into global reach.

In five years time, we have set an efficient and reliable base at Sharjah International Airport that permitted us to serve over 44 destinations across the region and we are still aiming to double this figure in the coming years by profitably growing our operations from our main base at Sharjah airport.

In 2007, we have strengthened our business model by privatizing the business and raising enough capital to support our growth through an Initial Public Offering. Following the IPO, we have commenced with a series of joint ventures that established the proper infrastructure to grow our business to a wider level and enter new international markets. In addition, we announced our plans to open new hub in Morocco. The new hub is part of a management agreement between Air Arabia and Regional Air Lines, a leading domestic airline in Morocco, and will provide us with a wider platform from which to enter into the wider Europe, Middle East and North Africa (EMEA) market.

In 2008, we unveiled "Air Arabia Maroc", the latest member to join the Air Arabia family and proceeded with necessary legal and operational preparations to commence operations by end of first quarter of 2009. We also announced our will to introduce another hub in the Levant region which will enable us to offer a comprehensive network of destinations spreading across the Middle East, Indian Subcontinent, Africa, Europe and CIS countries.



These new hubs will drive Air Arabia growth to expand its route network, frequency and connectivity and hence, offering our customers more options for a value for money air travel and increase the airline's profitability, securing a highest return on investment for our investors.



FINANCIAL RESULTS

Independent Auditor's Report

To the Directors of Air Arabia P.J.S.C. (Air Arabia)

The accompanying summarised consolidated financial statements have been derived from the consolidated financial statements of Air Arabia P.J.S.C. (Air Arabia) (the 'Company') and Subsidiary (together the 'Group'), Sharjah, United Arab Emirates for the year ended December 31, 2008. These summarised consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express our opinion on whether these summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

We have audited the consolidated financial statements of the Group for the year ended December 31, 2008, from which the summarised consolidated financial statements were derived, in accordance with International Standards on Auditing. In our report dated February 15, 2009 we expressed an unqualified opinion on the consolidated financial statements from which the summarised consolidated financial statements were derived.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the Group's financial position and the results of its operations for the year and of the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which the summarised consolidated financial statements were derived and our audit report thereon.

Sharjah
February 15, 2009

Consolidated Balance Sheet

At December 31, 2008

	December 31, 2008 AED	December 31, 2007 AED
ASSETS		
Current assets		
Bank balances and cash	1,767,125,257	2,969,905,739
Trade and other receivables	241,695,553	134,009,886
Due from a related party	103,191	-
Inventories	1,562,249	747,707
Total current assets	2,010,486,250	3,104,663,332
Non-current assets		
Available-for-sale investments	1,522,810,487	581,215,288
Aircraft lease deposits	42,438,716	37,669,225
Deferred charges	31,694,171	6,457,738
Goodwill	189,474,216	189,474,216
Intangible assets	1,092,346,500	1,092,346,500
Investment property	50,852,083	51,602,083
Advance for new aircraft	257,709,990	160,181,266
Property and equipment	663,760,795	112,239,533
Total non-current assets	3,851,086,958	2,231,185,849
Total Assets	5,861,573,208	5,335,849,181
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	322,552,719	182,028,689
Deferred income	132,803,072	104,303,403
Due to related parties	8,370,662	10,051,501
Total current liabilities	463,726,453	296,383,593
Non-current liabilities		
Due to a related party	-	2,250,000
Provision for employees' end of service indemnity	14,241,314	7,738,209
Total non-current liabilities	14,241,314	9,988,209
Total Liabilities	477,967,767	306,371,802
Capital and reserves		
Share capital	4,666,700,000	4,666,700,000
Treasury shares	(42,582,203)	-
Statutory reserve	77,672,380	27,665,734
Cumulative change in fair values	(105,882,324)	4,866,635
Retained earnings	787,697,588	330,245,010
Total Equity	5,383,605,441	5,029,477,379
Total Liabilities and Equity	5,861,573,208	5,335,849,181

Consolidated Income Statement

For the Year Ended December 31, 2008

	Year ended December 31, 2008 AED	Period from inception to December 31, 2007 AED
Revenue	2,065,786,197	803,669,430
Cost of sales	(1,671,571,748)	(591,704,084)
Gross profit	394,214,449	211,965,346
Selling and marketing costs	(37,067,198)	(21,340,403)
General and administrative expenses	(66,920,099)	(36,508,000)
Operating profit	290,227,152	154,116,943
Profit on bank deposits	163,900,358	100,682,948
Other income	55,597,813	27,172,024
Profit for the year/ period	509,725,323	281,971,915
Basic earnings per share	0.11	0.06

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2008

	Share capital	Treasury shares	Statutory reserve	Cumulative change in fair values	Retained earnings	Total
	AED	AED	AED	AED	AED	AED
Share capital introduced	4,666,700,000	-	-	-	-	4,666,700,000
Pre-incorporation profit directly recognised in equity	-	-	-	-	75,938,829	75,938,829
Gain on available-for-sale investments directly recognised in equity	-	-	-	4,866,635	-	4,866,635
Profit for the period	-	-	-	-	281,971,915	281,971,915
Total recognised income and expense for the period	-	-	-	4,866,635	357,910,744	362,777,379
Transfer to statutory reserve	-	-	27,665,734	-	(27,665,734)	-
Balance at December 31, 2007	4,666,700,000	-	27,665,734	4,866,635	330,245,010	5,029,477,379
Loss on available-for-sale investments directly recognised in equity	-	-	-	(110,748,959)	-	(110,748,959)
Profit for the year	-	-	-	-	509,725,323	509,725,323
Total recognised income and expense for the year	-	-	-	(110,748,959)	509,725,323	398,976,364
Transfer to statutory reserve	-	-	50,006,646	-	(50,006,646)	-
Other movements	-	-	-	-	(1,754,477)	(1,754,477)
Treasury shares purchased	-	(42,582,203)	-	-	(511,622)	(43,093,825)
	-	(42,582,203)	50,006,646	-	(52,272,745)	(44,848,302)
Balance at December 31, 2008	4,666,700,000	(42,582,203)	77,672,380	(105,882,324)	787,697,588	5,383,605,441

Consolidated Cash Flow Statement

For the Year Ended December 31, 2008

	Year ended December 31, 2008 AED	Period from inception to December 31, 2007 AED
Operating activities		
Profit for the year/period	509,725,323	281,971,915
Adjustment for:		
Depreciation of property and equipment	29,036,491	3,411,453
Depreciation of investment property	750,000	397,917
Amortisation/impairment of deferred charges	6,710,800	19,742,184
Provision for employees' end of service indemnity	7,289,555	1,425,015
Impairment losses on available-for-sale investments	6,808,088	-
(Gain)/loss on disposal of property and equipment	(76,714)	426,577
Profit on bank deposits	(163,900,358)	(100,682,948)
Dividend income	(56,435,700)	(47,522)
Rental income	(2,250,000)	(1,193,750)
Operating cash flows before movements in working capital	337,657,485	205,450,841
Increase in margin deposits	(417,500)	-
Increase in trade and other receivables	(107,685,667)	(34,918,626)
Increase in inventories	(814,542)	(747,707)
(Increase)/decrease in due from a related party	(103,191)	123,673
Increase in aircraft lease deposits	(4,769,491)	(12,188,968)
Increase in trade and other payables	140,524,030	67,865,969
Increase/(decrease) in deferred income	28,499,669	(26,676,963)
Decrease in due to related parties	(3,930,839)	(100,419,063)
Cash generated from operations	388,959,954	98,489,156
Employees' end of service indemnity paid	(786,450)	(572,110)
Net cash from operating activities	388,173,504	97,917,046
Investing activities		
Purchase of property and equipment	(580,624,368)	(46,221,391)
Proceeds from sale of property and equipment	143,329	-
Advance for new aircraft	(97,528,724)	(160,181,266)
Increase in deferred charges	(31,947,233)	(15,159,376)
Pre-incorporation profit	-	75,938,829
Purchase of available-for-sale investments	(1,059,152,246)	(551,090,000)
Increase in Murabaha deposits	(312,350,000)	-
Increase in fixed deposits	(1,266,988,475)	-
Profit on bank deposits	163,900,358	100,682,948
Rental income	2,250,000	1,193,750
Net cash used in investing activities	(3,182,297,359)	(594,836,506)

Consolidated Cash Flow Statement For the Year Ended December 31, 2008

...continued

	Year ended December 31, 2008 AED	Period from inception to December 31, 2007 AED
Financing activities		
Dividend paid by a joint venture	(1,754,477)	-
Dividend received	56,435,700	47,522
Treasury shares purchased	(43,093,825)	-
Share capital received in cash	-	3,266,700,000
Cash from financing activities	11,587,398	3,266,747,522
Net (decrease)/increase in cash and cash equivalents	(2,782,536,457)	2,769,828,062
Cash and cash equivalents at the beginning of the year/acquired at June 19, 2007	2,969,905,739	200,077,677
Cash and cash equivalents at the end of the year/period	187,369,282	2,969,905,739

Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 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. 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.

2. ACCOUNTING POLICIES

The accounting policies followed by the Group are included in the consolidated financial statements in Note 3. These summarised consolidated financial statements should be read in conjunction with the Group's audited consolidated financial statements for year ended December 31, 2008.

3. BANK BALANCES AND CASH

	December 31, 2008 AED	December 31, 2007 AED
Bank balances:		
Current accounts	34,743,550	55,796,746
Call deposits	45,825,500	76,773,398
Fixed deposits	1,372,728,961	2,836,745,009
Murabaha deposits	312,350,000	-
Margin deposits	417,500	-
	1,766,065,511	2,969,315,153
Cash on hand	1,059,746	590,586
	1,767,125,257	2,969,905,739
Bank balances:		
In U.A.E.	1,453,588,019	2,968,972,783
In other G.C.C. countries	312,477,492	342,370
	1,766,065,511	2,969,315,153

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

Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2008

...continued

4. AVAILABLE-FOR-SALE INVESTMENTS

	December 31, 2008 AED	December 31, 2007 AED
Quoted	9,477,991	30,125,288
Unquoted	1,513,332,496	551,090,000
	1,522,810,487	581,215,288
In U.A.E.	647,418,241	213,875,288
In other G.C.C. countries	875,392,246	367,340,000
	1,522,810,487	581,215,288

Movement during the year/period:

	2008 AED	2007 AED
Balance, at the beginning of the year/balance resulting from the acquisition of Air Arabia Company L.L.C. (Air Arabia)	581,215,288	25,258,653
Purchases during the year/period	1,059,152,246	551,090,000
Impairment loss	(6,808,088)	-
Net fair value (loss)/ gain directly recognised in equity	(110,748,959)	4,866,635
Balance, at the end of the year/period	1,522,810,487	581,215,288

5. GOODWILL

Goodwill arising out of acquisition of Air Arabia L.L.C. (Air Arabia), determined by an independent valuer is as follows:

	Amount AED
Total fair value of Air Arabia Company L.L.C. (Air Arabia)	1,400,000,000
Fair value of intangible assets	(1,092,346,500)
Fair value of tangible assets (net)	(118,179,284)
At December 31, 2007 and 2008	189,474,216

Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2008

...continued

6. INTANGIBLE ASSETS

Intangible assets arising out of acquisition of Air Arabia L.L.C. (Air Arabia), determined by independent valuer is as follows:

	December 31, 2008	December 31, 2007
	AED	AED
Trade name	395,410,000	395,410,000
Landing rights	468,273,000	468,273,000
Price benefit from related parties	180,281,000	180,281,000
Handling licence - Sharjah Aviation Services	48,382,500	48,382,500
Fair value	1,092,346,500	1,092,346,500

The useful lives of intangible assets have been estimated to be indefinite by the independent valuer.

7. SHARE CAPITAL

	December 31, 2008	December 31, 2007
	AED	AED
1,400,000,000 shares of AED 1 each paid in-kind	1,400,000,000	1,400,000,000
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	700,000,000	700,000,000
Share capital received in cash	3,266,700,000	3,266,700,000
Authorised and issued share capital	4,666,700,000	4,666,700,000

The assets and liabilities of Air Arabia Company L.L.C. (Air Arabia) and Subsidiary, were transferred to Air Arabia P.J.S.C. (Air Arabia) as in kind contribution for 30% interest in Air Arabia P.J.S.C. (Air Arabia).

Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2008

...continued

8. REVENUE

An analysis of the Group's revenue is as follows:

	Year ended December 31, 2008	Period from inception to December 31, 2007
	AED	AED
Passenger revenue	1,936,905,462	765,629,680
Baggage revenue	31,393,984	15,207,089
Cargo revenue	17,358,199	5,432,392
Charter revenue	11,506,910	-
Service revenue	9,264,772	2,535,584
Catering revenue	20,768,594	10,746,592
Airport handling revenue	54,453,036	21,997,261
Sales commission and expenses	(15,864,760)	(17,879,168)
	2,065,786,197	803,669,430

9. BASIC EARNINGS PER SHARE

	Year ended December 31, 2008	Period from inception to December 31, 2007
Profit for the year/period (in AED)	509,725,323	281,971,915
Weighted average number of shares	4,662,919,516	4,666,700,000
Basic earnings per share (in AED)	0.11	0.06

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

Treasury shares have been considered for calculating weighted average number of shares outstanding as at the balance sheet date.

Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2008

...continued

10. OPERATING LEASE ARRANGEMENTS

	Year ended December 31, 2008	Period from inception to December 31, 2007
	AED	AED
Minimum lease payment under operating leases (excluding variable lease rental on the basis of flying hours) recognised in profit or loss for the year/period	194,301,881	76,786,237

Details of aircraft lease agreements are as follows:

	Number of aircraft December 31,	
	2008	2007
Lease agreements signed for	19	20
Aircraft delivered against the above lease agreements	(13)	(11)
Aircraft to be delivered in future periods	6	9

The fixed lease commitments against 13 (2007: 11) delivered aircraft are as follows:

	December 31,	
	2008	2007
	AED	AED
Within one year	174,252,462	145,028,455
In the second to fifth years inclusive	446,317,541	427,675,191
After five years	17,905,626	11,075,208
	638,475,629	583,778,854

The fixed lease commitments against 6 (2007: 9) aircraft to be delivered in future periods are as follows:

	December 31,	
	2008	2007
	AED	AED
Within one year	38,925,600	26,305,945
In the second to fifth years inclusive	383,528,880	498,251,089
After five years	165,275,040	323,744,824
	587,729,520	848,301,858

Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2008

...continued

10. 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.

11. CONTINGENT LIABILITIES

	December 31,	
	2008	2007
	AED	AED
Letters of credit	51,398,363	50,921,134
Letters of guarantee	14,878,520	8,470,248

12. CAPITAL COMMITMENTS

The Group has entered into the following capital commitments:

	December 31,	
	2008	2007
	AED	AED
Authorised and contracted:		
Aircraft fleet	12,983,698,777	10,244,169,824
Non-aircraft	-	6,155,625
Joint ventures	-	36,750,000
Hotel project	186,509,880	-
Employee accommodation	42,934,602	-
	13,213,143,259	10,287,075,449
Authorised but not contracted:		
Aircraft fleet	1,422,807,191	3,858,750,000

Notes to the Summarised Consolidated Financial Statements For the Year Ended December 31, 2008

12. 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 year, 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 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 44 aircraft is payable over the next five years, with the balance being due on delivery.

The Group has entered into a joint venture agreement for an airline which will operate from Casablanca in Morocco. On December 31, 2008 this venture was still in the early stages of development and a launch date had not been announced.

13. PROPOSED DIVIDENDS

The directors propose that a dividend of AED 466,670,000, AED 10 fils per share will be paid to the Shareholders in 2009. This dividend is subject to approval by the Shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

It has also been proposed that the board of directors remuneration for the year be AED 1,800,000. The remuneration of directors is subject to approval by the Shareholders and as per limits set by the Commercial Companies Law No. 8 of 1984, as amended.

14. COMPARATIVE AMOUNTS

Certain amounts for the prior period were reclassified to conform to current year presentation. The consolidated financial statements for prior period were for the period from inception on June 19, 2007 to December 31, 2007 and accordingly the comparative amounts for the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement and related notes are not directly comparable.