FLYNAS COMPANY
(A Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
AND INDEPENDENT AUDITOR'S REPORT

FLYNAS COMPANY
(A Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

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Independent auditor's report to the shareholders of Flynas Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Flynas Company (the "Company") as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2025;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key Audit Matters	• Measurement of Aircraft related provisions (heavy maintenance and return-condition costs) • Revenue recognition for Flynas Low-Cost Carrier (LCC) segment

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Independent auditor's report to the shareholders of Flynas Company (continued)

Our audit approach (continued)

Overview (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the shareholders of Flynas Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Measurement of Aircraft related provisions (heavy maintenance and return-condition costs) The Company has recognised Aircraft related provisions amounting to Saudi Riyals 3.4 billion as at December 31, 2025. These provisions arise from the Company's lease arrangements, under which it is contractually committed either to return aircraft in a specified condition or to compensate the lessor based on the actual condition of the aircraft and its major components upon return. The measurement of the aircraft-related provision requires management to exercise judgement when assessing aircraft utilisation patterns (expected flight hours and cycles) and when determining the anticipated timing of major maintenance events such as airframe checks, engine performance restorations, life-limited parts (LLP) replacement cycles, and overhauls of landing gear and Auxiliary Power Units (APU), as well as evaluating the return-condition requirements stipulated in the lease agreements. The related cost components, including market pricing for these maintenance activities, inflationary escalations, and the discount rate applied in determining the present value of the provision, represent key estimation inputs subject to inherent uncertainty. Given the inherent level of judgement involved and the sensitivity of the provision to these estimation variables, we considered the measurement of aircraft related provisions to be a key audit matter. *Refer to Note 3.14 and Note 3.17 for the accounting policies, Note 4.1.3, 4.2 (ii) and 4.2 (iii) for the significant judgements and estimates required in calculating the Aircraft related provisions, and Note 17 for the specific disclosures relating to the Aircraft related provisions in the accompanying financial statements.*	We assessed Aircraft related provisions by performing the following procedures: • Obtained an understanding of contractual terms relating to the lease terms to return the aircraft in a specified condition, and evaluated, the process used to determine the provision, including key input data, assumptions, and significant judgements and estimates. • Inspected a sample of lease agreements (with emphasis on new contracts entered into during 2025) and ensured management's mapping of the redelivery/return-condition clauses to the underlying provisioning calculations. • Compared cost assumptions for airframe checks, engine performance restorations, LLP replacement cycles, landing gear and APU overhauls, and related escalations to recent vendor invoices (where applicable) and contractual terms from the relevant agreements. • Validated key utilisation inputs (flight hours and cycles) to independent non-financial data sources; and tested the integrity of those sources. • Performed a look-back test to assess the accuracy of past estimates by comparing prior period assumptions to actual data. • Assessed the sensitivity analysis performed by the management over costs, utilization and escalation assumptions considered most exposed to estimation uncertainty and assessed the impact of reasonably possible changes. • Assessed the methodology used by management to discount the gross provision to present value using appropriate discount rate. • Re-performed the present-value calculations supporting the provision. • Assessed the adequacy of the related disclosures regarding significant judgements and estimates made in determining Aircraft related provisions.

Independent auditor's report to the shareholders of Flynas Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition for Flynas Low Cost Carrier (LCC) segment Revenue from contracts with customers, specifically the commercial scheduled flights operations (Flynas LCC), represents the Company's core offering and the majority of its revenue (approximately Saudi riyals 7.1 billion of Saudi riyals 7.8 billion revenue recognized during the year ended December 31, 2025). Given this financial significance, the very high volume of automated transactions flowing from the passenger service/booking platform into the ERP, this area required significant audit attention. Furthermore, the migration undertaken within the Company's financial reporting environment during the year required specific consideration of the related Information-Technology (IT) general controls, interfaces and data-migration processes. Because of these factors, we considered revenue recognition for Flynas LCC operations to be a key audit matter. *Refer to Note 3.12 and Note 3.13 for the accounting policies, and Note 22 for the related disclosures in the accompanying financial statements.*	We assessed revenue recognition by performing the following procedures: • Obtained and evaluated understanding of the revenue (Flynas LCC) process, from booking and ticketing through to recognition in the general ledger, including the interfaces and reconciliations between the passenger service/booking platform and the ERP environment. • Obtained an understanding of the key controls over the revenue recognition process and tested the operating effectiveness of such controls identified over revenue recognition. • Assessed relevant IT general controls and key application controls over revenue processing. In light of the migration within the Company's ERP environment during the year, we evaluated change management, access provisioning and data-migration reconciliations, and considered the results of independent assurance provided over relevant third-party system. • Performed substantive audit procedures on a sample basis to verify that revenue was recognised in accordance with IFRS 15. • Assessed the adequacy of disclosures relating to revenue accounting policies and revenue recognition in accordance with IFRS 15.

Other information

Management is responsible for the other information. The other information comprises the Company's annual report for the year ended December 31, 2025 (the "Annual Report") but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

pwc

Independent auditor's report to the shareholders of Flynas Company (continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Independent auditor's report to the shareholders of Flynas Company (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Waleed A Alhidiri
License Number 559

March 10, 2026

FLYNAS COMP ANY
(A Joint Stock Company)
Statement of financial position
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2025	2024
Assets			
Non-current assets			
Intangible asset	7	**2,000,000,000**	2,000,000,000
Aircraft, equipment and fixtures	5	**2,595,157,899**	1,537,308,381
Right-of-use assets	6	**7,694,313,025**	7,830,739,267
Deposits for aircraft	9	**17,314,070**	37,500,760
Total non-current assets		**12,306,784,994**	11,405,548,408
Current assets			
Stores and spares	8	**1,998,343**	2,596,940
Deposits for aircraft	9	**48,843,986**	9,063,750
Trade receivables	10	**360,164,173**	238,566,986
Prepayments and other current assets	11	**306,102,395**	117,381,671
Bank deposits	12	**56,250,000**	56,250,000
Cash and cash equivalents	12	**4,142,981,409**	1,700,326,378
Total current assets	2.2	**4,916,340,306**	2,124,185,725
Total assets		**17,223,125,300**	13,529,734,133
Equity and liabilities			
Equity			
Share capital	13	**1,708,518,930**	1,534,250,000
Share premium, net	13	**1,190,734,840**	-
Statutory reserve	14	**43,500,959**	43,500,959
Retained earnings		**607,011,137**	65,295,300
Total equity		**3,549,765,866**	1,643,046,259
Liabilities			
Non-current liabilities			
Trade and other payables	15	**130,316,621**	-
Lease liabilities	16	**4,950,243,105**	5,305,802,553
Aircraft related provisions	17	**3,115,517,040**	3,099,020,390
Loans	19	**1,054,715,135**	100,743,750
Employees' end of service benefits liabilities	20	**316,852,389**	267,868,028
Total non-current liabilities		**9,567,644,290**	8,773,434,721
Current liabilities			
Trade and other payables	15	**1,800,422,747**	1,558,341,586
Lease liabilities	16	**1,039,982,124**	507,661,044
Aircraft related provisions	17	**310,285,694**	297,794,229
Loans	19	**429,477,828**	324,487,500
Contract liabilities	18	**525,546,751**	424,968,794
Total current liabilities	2.2	**4,105,715,144**	3,113,253,153
Total liabilities		**13,673,359,434**	11,886,687,874
Total equity and liabilities		**17,223,125,300**	13,529,734,133

The accompanying notes 1 to 37 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Chief Financial Officer
Ayed Thawab Aljeaid	Bander Almohanna	Ramzi Zaroubi

FLYNAS COMPANY
(A Joint Stock Company)
Statement of profit or loss and other comprehensive income
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2025	2024
Revenue	22	**7,844,307,533**	7,556,068,990
Cost of revenue	23	**(6,361,162,335)**	(6,087,565,506)
Gross profit		**1,483,145,198**	1,468,503,484
Selling and marketing expenses	24	**(281,378,946)**	(252,169,264)
General and administrative expenses	25.1	**(228,578,502)**	(257,828,584)
General and administrative expenses – (non-recurring)	25.2	**(1,082,967,516)**	-
General and administrative expenses – (total)		**(1,311,546,018)**	(257,828,584)
Reversal / (provision) for expected credit losses	10.1, 11.2	**9,159,180**	(26,311,879)
Gain on sale of aircraft, equipment and fixtures	5.2.1, 6.3	**75,638,740**	130,670,897
Net foreign exchange loss		**(2,033,656)**	(17,753,376)
Operating (loss) / profit		**(27,015,502)**	1,045,111,278
Finance income	26	**163,691,760**	104,514,865
Finance cost	27	**(628,119,799)**	(692,933,934)
(Loss) / profit before zakat		**(491,443,541)**	456,692,209
Zakat expense	21	**(35,556,070)**	(23,182,615)
(Loss) / profit for the year		**(526,999,611)**	433,509,594
Other comprehensive (loss) / income			
Items that will not to be reclassified to statement of profit or loss in subsequent periods:			
Remeasurement loss on employees' end of service benefits liabilities	20.4	**(14,252,068)**	(16,580,857)
Total comprehensive (loss) / income for the year		**(541,251,679)**	416,928,737
(Loss) / earnings per share from profit attributable to the shareholders			
Basic and diluted (loss) / earnings per share	34	**(3.22)**	2.99

The accompanying notes 1 to 37 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Chief Financial Officer
Ayed Thawab Aljeaid	Bander Almohanna	Ramzi Zaroubi

FLYNAS COMPANY
(A Joint Stock Company)
Statement of changes in equity
(All amounts are in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Statutory reserves	Retained earnings	Employee share based payment reserves	Net equity
At January 1, 2024	1,534,250,000	-	150,000	(308,282,478)	-	1,226,117,522
Profit for the year	-	-	-	433,509,594	-	433,509,594
Other comprehensive loss for the year	-	-	-	(16,580,857)	-	(16,580,857)
Total comprehensive income for the year	-	-	-	416,928,737	-	416,928,737
Transfer to statutory reserve	-	-	43,350,959	(43,350,959)	-	-
At December 31, 2024	1,534,250,000	-	43,500,959	65,295,300	-	1,643,046,259
At January 1, 2025	**1,534,250,000**	-	**43,500,959**	**65,295,300**	-	**1,643,046,259**
Total comprehensive income for the year						
Loss for the year	-	-	-	**(526,999,611)**	-	**(526,999,611)**
Other comprehensive loss for the year	-	-	-	**(14,252,068)**	-	**(14,252,068)**
Total comprehensive loss for the year	-	-	-	**(541,251,679)**	-	**(541,251,679)**
Increase in capital	**174,268,930**	**1,219,882,510**	-	-	-	**1,394,151,440**
Transactions costs related to issuance of new shares (Refer to Note 13)	-	**(29,147,670)**	-	-	-	**(29,147,670)**
Contribution from pre-IPO shareholders				**101,047,516**		**101,047,516**
Funded Employees Share Based Payment Program (Refer Note 13)	-	-	-	-	**981,920,000**	**981,920,000**
Vesting of Employees Share Based Payment Program	-	-	-	**981,920,000**	**(981,920,000)**	-
At December 31, 2025	**1,708,518,930**	**1,190,734,840**	**43,500,959**	**607,011,137**	-	**3,549,765,866**

The accompanying notes 1 to 37 form an integral part of these financial statements.

Chairman
Ayed Thawab Aljeaid

Chief Executive Officer
Bander Almohanna

Chief Financial Officer
Ramzi Zaroubi

FLYNAS COMPANY
(A Joint Stock Company)
Statement of cash flows
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2025	2024
Cash flows from operating activities			
(Loss) / profit for the year before zakat		**(491,443,541)**	456,692,209
Adjustments for:			
Depreciation on Aircraft, equipment and fixtures	5	**84,601,361**	48,251,345
Depreciation on right-of-use assets	6	**1,373,625,955**	1,084,686,363
Provision for employees' end of service benefits liabilities	20.4	**51,585,721**	43,495,296
Employee share based payment plan	13	**981,920,000**	-
Finance income	26	**(163,691,760)**	(104,514,865)
Finance cost	27	**628,119,799**	692,933,934
Gain on sale of aircraft, equipment and fixtures	5.2.1, 6.3	**(75,638,740)**	(130,670,897)
(Reversal) / provision for expected credit losses	10.1, 11.2	**(9,159,180)**	26,311,879
		2,379,919,615	2,117,185,264
Operating cash flows before working capital changes			
Stores and spares		**598,597**	574,719
Deposits for aircraft		**(19,593,546)**	44,840,906
Trade receivables		**(112,438,007)**	34,788,739
Prepayments and other current assets		**(188,720,724)**	2,648,051
Trade and other payables		**241,444,841**	(348,645,027)
Aircraft related provisions		**(397,927,185)**	(61,984,436)
Contract liabilities		**100,577,957**	89,777,722
Payment against employee share based program		**(721,512,244)**	-
Operating cash flows generated after changes in working capital		**1,282,349,304**	1,879,185,938
Employees' benefits paid	20.4	**(16,853,428)**	(23,709,928)
Finance income received		**163,025,475**	71,615,317
Net cash flows generated from operating activities		**1,428,521,351**	1,927,091,327
Cash flows from investing activities			
Acquisition of aircraft, equipment and fixtures excluding pre-delivery payments		**(1,083,874,626)**	(165,824,580)
Pre-delivery payments made for aircraft		**(692,625,394)**	(549,787,500)
Refund of pre-delivery payments for aircraft		**200,625,000**	240,750,000
Net cashflows associated with acquisition of Aircraft, equipment and fixtures		**(1,575,875,020)**	(474,862,080)
Proceeds from manufacturer credits and sale of aircraft, equipment and fixtures		**433,424,141**	133,084,431
Net cash flows used in investing activities		**(1,142,450,879)**	(341,777,649)
Cash flows from financing activities			
Payment of lease liabilities - principal element	16	**(781,838,483)**	(453,975,655)
Receipt of loan	30.2	**1,623,000,000**	-
Proceeds from issuance of new shares	13	**2,376,071,440**	-
Cost of issuance of new shares	13	**(29,147,670)**	-
Repayment of loan	30.2	**(562,563,117)**	(419,487,500)
Finance cost paid		**(468,937,611)**	(462,012,544)
Net cash flows generated from / (used in) financing activities		**2,156,584,559**	(1,335,475,699)
Net increase in cash and cash equivalents		**2,442,655,031**	249,837,979
Cash and cash equivalents at the beginning of the year		**1,700,326,378**	1,450,488,399
Cash and cash equivalents at the end of the year	12	**4,142,981,409**	1,700,326,378
Supplemental non-cash transactions during the year:			
Additions to right-of-use assets	6	**1,472,174,405**	1,205,144,145
Modification to right-of-use assets and lease liabilities	6,16	**-**	34,196,618
Additions to lease liabilities	16	**1,197,426,890**	708,192,768
Additions to aircraft related provisions	17	**304,252,924**	447,209,611
Capital contribution from pre-IPO shareholders	13.4, 25.2	**101,047,516**	-

The accompanying notes 1 to 37 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Chief Financial Officer
Ayed Thawab Aljeaid	Bander Almohanna	Ramzi Zaroubi

1 Corporate information

Flynas Company – A Joint Stock Company (the "Company") was incorporated in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration No. 1010294138 dated 21 Ramadan 1431H (corresponding to 31 August 2010). The registered office is located 8018 Ar Rabi, Riyadh 13316-4040, KSA. The accompanying financial statements includes the accounts of the Company and its following branches:

Sr.No.	CR Number	Type of Branch	Location
1	4030298201	Domestic	Jeddah
2	4031102209	Domestic	Makkah
3	4650083751	Domestic	Al Madinah
4	78989	International	Egypt
5	902689	International	Turkey
6	16/00-0999920 C18	International	Algeria
7	17070	International	Morocco
8	1009004882	Domestic	Riyadh
9	2025163001	International	Bangladesh

The Company's licensed activities include purchase, sale and rent of aircraft and air transportation services for passengers and goods in addition to operating, managing and maintenance of aircraft. The Company performs its air transportation services, under the air operating certificate issued by General Authority of Civil Aviation ("GACA") of KSA.

On May 5, 2025, the Company formally announced its intention to proceed with the Initial Public Offering ("IPO") through the sale of 33,828,675 existing ordinary shares by its pre-IPO shareholders on a pro-rata basis, and the issuance of 17,426,983 new shares by increasing the share capital from SAR 1,534,250,000 to SAR 1,708,518,930. Consequently, as a result of this IPO, the pro-rata share (34%) of the IPO cost relating to the new shares were deducted from equity in accordance with IAS 32. Also refer to Note 13.

The Company announced the commencement of the institutional book-building period from 12 May 2025 to 18 May 2025, and the retail subscription period from May 28, 2025 to June 1, 2025, with an offer price of SAR 80 per share. The allocation of shares to new investors was completed on June 3, 2025, and trading of the Company's shares on the Saudi Exchange commenced on June 18, 2025.

The IPO comprised the following components:

Shareholders	Pre-Offering			Post-Offering		
	No. of shares	Ownership (%)	Nominal Value SAR	No. of shares	Ownership (%)	Nominal Value SAR
Pre-IPO Shareholders	145,104,763	94.58%	1,451,047,630	119,596,325	70.00%	1,195,963,250
Treasury Shares (Company)	8,320,237	5.42%	83,202,370	-	0.00%	-
Public	-	0.00%	-	51,255,568	30.00%	512,555,680
Total	**153,425,000**	**100.00%**	**1,534,250,000**	**170,851,893**	**100.00%**	**1,708,518,930**

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in KSA and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (thereafter referred to as IFRS as endorsed in KSA) and in compliance with the provisions of Regulations for Companies and the Company's By-laws.

2.2 Going concern

As at December 31, 2025, the Company had a favorable net current asset position of SAR 810.6 million, reflecting a strong liquidity position. The Company maintains a significant cash balance of SAR 4,142 million, which is expected to adequately meet operational and financial commitments as they fall due.

2 Basis of preparation (continued)

2.2 Going concern (continued)

For the year ended December 31, 2025, the Company reported a net loss of SAR 527 million, primarily driven by a non-recurring share-based payment expense of SAR 981.9 million recognized under the Employee Share Based Payment Program and IPO related transaction costs amounting to SAR 101.1 million. Excluding these one-off charges, the Company remained operationally profitable. Management expects that profitability and cash flows will continue to remain in future (excluding these one-off items).

Additionally, the Company holds contract liabilities of SAR 525.5 million, primarily comprising customer advances expected to be recognized as revenue in the normal course of business in the coming periods. These liabilities do not represent immediate cash obligations, and their settlement will generate corresponding revenue.

Further, the Company has access to an undrawn Murabaha facility of SAR 281.2 million and an undrawn facility of SAR 501 million against the purchase of Aircraft, which enhances its financial flexibility and liquidity position.

Based on these factors, the Board of Directors are confident that the Company has sufficient resources to continue as a going concern for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

2.3 Historical cost convention

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise stated.

2.4 Basis of measurement

The financial statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All values are rounded to the nearest Saudi Riyal, unless otherwise stated.

3 Material accounting policies

3.1 Classification of assets and liabilities to current and non-current

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no right at the end of the reporting period to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

3 Material accounting policies (continued)

3.2 Aircraft, equipment and fixtures

Aircraft, equipment and fixtures are stated at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase price and any directly attributable costs incurred in bringing the asset to its working condition for its intended use. Manufacturer credits, if any, received in connection with the acquisition of aircraft and engines are deducted from the cost of the related assets unless the credits are to compensate for reimbursement of incremental operating costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time that the assets are substantially ready for their intended use. Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Borrowing costs on Pre-delivery payments are expensed unless the expected period from incurring Pre-delivery payments to delivery is greater than one year.

Aircraft componentization

During the year, the Company acquired owned aircraft which are classified as owned assets. In line with IFRS requirements, the aircraft have been componentised into significant parts based on their differing useful lives and maintenance profiles. Specifically, the aircraft are segregated into the following components:

- Airframes (including D-checks), Auxiliary Power Units (APU) and Landing Gears (LG); and
- Engines, which are further componentised into Life Limited Parts (LLPs) and Engine Performance Restoration (EPR) costs.

The total acquisition cost of the aircraft is allocated to these components based on management's best estimates of their relative values, using internal assessments, external valuation data, and industry benchmarks. This approach is intended to reflect the distinct economic consumption patterns and maintenance requirements of each component.

Subsequent expenditures

Subsequent expenditures are capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. Routine repairs and minor maintenance are expensed as incurred.

Significant maintenance events, such as engine performance restorations, LLP replacements, and APU or overhauls, are capitalised when they meet the recognition criteria under IAS 16, and depreciated over their expected useful life or the period until the next major maintenance event, whichever is shorter. The previously recognised component is derecognised at the time of the next major maintenance event.

All repair and maintenance costs are recognized in the statement of profit or loss as incurred except for heavy maintenance expenditures carried out on certain leased and owned assets. Heavy maintenance costs incurred on owned assets which lend enhancement to future periods are capitalized as a separate asset, as appropriate and depreciated over the length of the period benefiting from these enhancements. For more details on heavy maintenance costs on leased assets refer to Note 3.14 and 3.22.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Depreciation is started when the asset is available for its intended use. Leasehold improvements are depreciated over the shorter of its useful life or the lease term. The useful life of the assets are disclosed in Note 5.1.

An item of aircraft, equipment and fixtures is tested for impairment if any indicator is identified. Refer to Note 3.11 for details.

An item of aircraft, equipment and fixtures is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The residual values, useful lives, and methods of depreciation of aircraft, equipment and fixtures are reviewed at each reporting period end and adjusted prospectively, if appropriate.

3 Material accounting policies (continued)

3.2 Aircraft, equipment and fixtures (continued)

Subsequent expenditures (continued)

Capital work in progress (CWIP) is not depreciated and is stated at cost less accumulated impairment losses, if any. These assets are transferred to aircraft related equipment and fixtures as and when assets are available for intended use. CWIP also includes pre-delivery payments ("PDPs") which are paid by the Company to aircraft and engine manufacturers for financing the production of the ordered aircraft or spare engine as determined by the contractual terms. Such advance payments for aircraft or spare engines are recognised at cost and classified under CWIP in the statement of financial position. PDPs, when paid, are recorded at historical exchange rates at the date of payment. In instances, where the Company enters in a sale and leaseback arrangements on the date of delivery for any new purchased aircraft with the lessors, any PDPs paid by the Company are refunded back to the Company by the aircraft manufacturer.

From time to time, the Company receives certain credits from manufacturers in connection with the acquisition of aircraft and engines, as compensation for disruption or due to other reasons. Such credits are typically recorded as a reduction to the cost of the related (or future) aircraft and engines.

3.3 Intangible asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the statement of profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment either annually or whenever there is an indication that the intangible asset may be impaired, individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

3.4 Financial instruments

3.4.1 Financial assets

Classification

The financial assets of the Company comprise of trade receivables, deposits of aircraft, cash and cash equivalents, bank deposits and other receivables. The company classifies its financial assets as those to be measured at amortized costs. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

In addition, derivative financial instruments are classified at fair value through profit or loss ("FVTPL") unless designated as hedging instruments in a qualifying hedge relationship under IFRS 9.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

3.4.1 Financial assets (continued)

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss "FVTPL" are expensed in the statement of profit or loss.

Subsequent measurement of the financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in the statement of profit or loss. Impairment losses are presented as separate line items in the statement of profit or loss. The Company subsequently measures all its financial assets at amortized costs.

Impairment

The Company assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortized cost.

The Company's trade receivables are subject to the expected credit loss model. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Expected loss rates were derived from historical information of the Company and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate. The Company has identified GDP of KSA (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

A default on a trade receivable occurs when the counterparty fails to make contractual payments within 360 days of when they fall due. The Company initially assesses a receivable for write-off when a debtor fails to make contractual payments greater than 720 days past due. Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where receivables have been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item. Impairment losses on trade receivables, if any, are presented as provision for expected credit losses within operating profit / loss.

The Company applies the general model to measure the credit losses on financial assets other than trade receivables. The identified credit loss from these financial assets are not material.

3.4.2 Financial liabilities

Initial recognition

Financial liabilities are recognized initially at fair value and in the case of borrowings, the fair value of the consideration received less directly attributable transaction costs.

Subsequent measurements

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

3.4.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3.4.4 Derivative financial instruments

Derivative financial instruments are contracts whose value changes in response to an underlying variable (such as commodity prices), require little or no initial net investment relative to other contracts with similar exposure, and are settled at a future date. Derivatives are recognised at fair value on the date the Company becomes a party to the contractual provisions of the instrument (generally the trade date) and are subsequently remeasured at fair value at each reporting date.

Derivatives that are not designated as hedging instruments in a qualifying hedge relationship under IFRS 9 are classified and measured at fair value through profit or loss (FVTPL). All fair value gains and losses are recognised in profit or loss and presented within "Other gains/(losses)".

For purchased options, the premium paid represents the initial fair value of the derivative and is included within the carrying amount of the derivative asset.

Derivative financial assets and liabilities are presented as current or non-current based on the expected timing of settlement/cash flows.

3.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data. (Unobservable inputs).

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed in Note 30 to these financial statements.

3.6 Deposits for aircraft

Deposits for aircraft represent interest free security deposits placed with the leasing companies to secure the obligations of the leased aircraft. The deposits are initially measured at fair value and subsequently carried at amortized costs using the effective interest rate method less any allowance for impairment.

3.7 Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, then they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

3 Material accounting policies (continued)

3.8 Stores and spares

Stores and spares consist of consumable items which are not repairable and are consumed by the Company within the ordinary course of its business. Stores and spares are valued at the lower of cost and net realizable value. Cost comprise of invoice prices and related expenses incurred up to the statement of financial position date. Net realizable value consists of the estimated selling price during the normal course of business, net of any other cost required to complete the sale.

The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores and spares.

3.9 Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash in hand, bank balances and time deposits with original maturities of three months or less. Time deposits with maturities of more than three months but less than one year are classified as bank deposits.

3.10 Employees' benefits

Short-term employee benefits

Short-term employee benefits i.e. wages and salaries including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

Employees' end of service benefits

Employees' end of service benefits ("EOSB") are provided for in accordance with the requirements of the Saudi Arabian Labor Law for their period of service with the Company. The provision relating to end of service benefits is disclosed as a non-current liability in the statement of financial position and is calculated by an independent actuary using the Projected Unit Credit Cost method as per IAS 19 'Employee Benefits'. The defined benefit obligation plan is unfunded.

The present value of the defined benefit obligations calculated using assumptions on the average annual rate of increase in salaries, average period of employment and an appropriate discount rate. As KSA does not have a deep corporate bonds market, the present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows denominated in the currency in which the benefits will be paid. Defined benefit costs are categorized as follows:

Service cost

Service costs include current service cost and past service cost are recognized immediately in the statement of profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefits expense in the statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in the statement of other comprehensive income.

3 Material accounting policies (continued)

3.11 Impairment of non-financial assets

The Company, at each reporting period, reviews its non-financial assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (where applicable) that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in the statement of profit or loss.

3.12 Revenue recognition

The Company revenue consists of three types of revenue streams: Flynas Low Cost Carrier (LCC), Flynas Hajj and Flynas General Aviation. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty collected on behalf of third parties.

Flynas LCC:

Flynas LCC revenue relates to the main operation of passenger commercial flights. The ticket price consists of the base fare and charges for other ancillary services. The revenue is measured based on the consideration specified in the contract (i.e. ticket) with a customer and excludes amounts collected on behalf of third parties. Base Fare is charged to the customer for air transportation services provided by the Company to its passengers. Ancillary Services Revenue consists of miscellaneous services provided by the Company to its customers (e.g. seat selection fee, baggage fee, infant fee, processing fee, meal fee, cancellation fee and change fee). These services are provided along with the normal transportation service as an integrated service. The customer cannot benefit from the individual service on its own or together with other resources readily available and the customer could not purchase only some of the services while omitting others. Hence, these services are considered to be a single performance obligation.

The Company mainly sells its tickets through its website and through Agents ('Passenger Sale Agent', 'PSA'). The revenue from the services are recognized at a point in time when the service is provided to the customer. This is when customers have accepted to board the flight for each journey and all other flight conditions are fulfilled.

Payments for the tickets are usually received upon booking for individual passengers and on extended credit terms for certain other channels of distribution. Performance obligations are generally satisfied subsequent to payment being received, resulting in contract liability being recorded in the statement of financial position. Amounts received in advance of fulfilling the performance obligation on a flight journey are recognized as contract liability until the service is provided. Any unused tickets are recognized as revenue on a no-show basis. In certain rare circumstances, such as major flight cancellations, the passengers' tickets are extended and can be utilized by the passengers within 1 year from the date of issuance of the ticket.

Further, in case of any changes from the customer on the tickets issued, the Company issues a travel voucher to the passengers. The Company records a liability for any travel vouchers issued by reversing the contract liability recorded on unused tickets and presenting this as a contract liability from travel vouchers in the statement of financial position. The liability is reversed upon the utilization of such travel vouchers and the revenue is recorded by the Company. All travel vouchers have an expiration date of 1 year from the date of issuance.

The management does not recognize any breakage revenue on unused tickets or travel vouchers issued as the impact is not material.

3 Material accounting policies (continued)

3.12 Revenue recognition (continued)

Flynas LCC: (continued)

Loyalty program (Nas miles)

The Company operates a frequent flyer programme that provides loyalty miles to programme members based on a mileage credit for flights with the Company and the tier status of each member. The Nas miles have a validity of one year from the month they are earned and these loyalty miles can only be utilized to book flights in the future.

The Company accounts for Nas miles as a separately identifiable component of the sale transactions in which they are granted. The consideration in respect of the initial sale is allocated to Nas miles points based on their fair value and is accounted for as 'Customer loyalty programme" within contract liability. The fair value is determined using estimation techniques that take into account the fair value of Nas miles for which miles could be redeemed. Revenue is recognized in the statement of profit or loss only when the Company fulfills its obligation by supplying Flynas LCC revenue services on the redemption of the miles accrued.

Flynas Hajj:

Special flights for Hajj Season

A part of Flynas Hajj revenue relates to the revenue from the operation of special flights for Hajj under the agreements with the governments or the authorized agencies of such governments for transportation of passengers ('Pilgrims') during the Hajj season. The revenue is measured based on the consideration specified in the agreements and excludes amounts collected on behalf of third parties.

The revenue is recognized as the contracted flights occur as per the agreements. Typically, the payment for such services are received in advance and the duration of services provided coincides with the Hajj Season. As such there is no significant financing component in these arrangements.

Hajj Facilitation services during Hajj Season

An element of Flynas Hajj revenue also includes Hajj facilitation services provided by the Company as part of Hajj Season for international Pilgrims under an agreement with the Government of Saudi Arabia. The service represents operating flights as a principal and arranging hotel accommodation. The revenue is recognised as the services are provided as per the agreement. The duration of these services is commensurate with duration of special flights flown during Hajj season.

A receivable is recognised when the service has been provided by the Company as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The payment terms with the Government are based on commercially agreeable terms.

Flynas General Aviation:

The Flynas General Aviation revenue includes the revenue earned from the provision of charter flights and aviation services to parties under the contract. The charter flight services includes provision of transportation services for a particular volume of air travel over a particular period of time and other related services (such as provision of crew, maintenance of aircraft and other ancillary services) that are considered an integral part of air travel and are not distinct performance obligations. The revenue is measured based on the consideration specified in the contract with the customers and excludes amounts collected on behalf of third parties. The contracts are based on the number of trips or flying hours. Revenue from providing these services is recognised over time as the performance obligation relating to the contracts are fulfilled. The customers are invoiced on a monthly basis and the payment terms for the customer are in accordance with each contract with the customer.

3 Material accounting policies (continued)

3.12 Revenue recognition (continued)

Principal vs agent

The Company acts as a principal if it controls a promised good or service before transferring that good or service to the customer. The Company is an agent if its role is to arrange for another entity to provide the goods or services.

The Company has concluded that it acts as a principal in all the aforementioned revenue arrangements because it controls the services before transferring them to the customers. For the below revenue arrangements, the Company acts as an agent:

(a) The Company under codeshare arrangements:

The Company acts as an agent where it sells air transport tickets under codeshare arrangements for passengers to fly on a codeshare partners' aircraft. The Company does not have inventory risk and is not primarily responsible for operating the codeshare partner's flight. In these cases, the Company acts as an agent and recognizes the net margin which is the predefined rate per mile flown.

(b) The Company's partnership with hotels, car rental companies, and other travel related services:

The Company has partnership agreements with hotels, car rental companies, duty free shops, insurance companies and other travel related services. In all of these agreements, the Company is not primarily responsible to fulfill customer requirements and does not control any of the goods or services. The Company earns a commission income and recognizes that as the related performance obligations are fulfilled.

The net margin from these arrangements is included within Flynas LCC services.

The Company has applied the practical expedients under IFRS 15 in relation to determining the existence of a significant financing component as the period between the payment for services and the delivery of services and is less than 12 months. In relation to the incremental costs incurred by the Company to obtain a contract such as credit card fees, channels fees, transaction fees, the Company has applied the practical expedient under IFRS 15 and expensed these costs as incurred.

3.13 Contract liabilities

Contract liabilities mainly represents unutilized tickets, customer loyalty miles from the frequent flyer program and deposit from customers. For more information refer to Note 3.12

3.14 Leases

General Lease Accounting

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset (redelivery cost), less any lease incentives received. Redelivery cost (return condition) represents the estimate of the cost to meet the contractual lease end obligations of the aircraft at the time of re-delivery. At lease commencement, the present value of the expected cost for each restoration obligation is recognised and capitalized as part of the right-of-use asset and depreciated over the lease term.

The right-of-use is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, the useful life and method of the right-of-use assets are mentioned in Note 6.2. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability. Refer to Note 3.11 for more details.

The Company acquires the right to use aircraft and related assets which are manufactured as per bespoke specifications and design, and are delivered mainly through sale and leaseback arrangements. Refer to Note 4.1.4 for more details.

3 Material accounting policies (continued)

3.14 Leases (continued)

General Lease Accounting (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Short-term leases and leases of low-value assets:

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. These typically relate to wet lease arrangements with third parties that have a lease duration of not more than six-months in connection with the facilitation of Hajj and Umrah operations.

Sale and leaseback transactions:

The Company regularly enters into sale and leaseback transactions. Each transaction is assessed as to whether it meets the criteria within IFRS 15 'Revenue from contracts with customers' for a sale to have occurred. If a sale has occurred, then the associated asset is de-recognized, and a right-of-use asset and lease liability is recognized. The right-of-use asset recognized is based on the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Any gains or losses are restricted to the amount that relates to the rights that have been transferred to the counterparty to the transaction. Where a sale has not occurred, the asset is retained on the balance sheet within aircraft, equipment and fixtures, and a liability is recognized equal to the financing proceeds.

Heavy maintenance accounting:

For aircraft under lease arrangements, the Company has an obligation to maintain the aircraft and its major components (in case of aircraft engines these essentially relate to replacement of limited life parts and engine performance restoration and other aircraft components such as landing gear and auxiliary power units, etc.) during the lease term and to return the aircraft to the lessor in a specified condition at the end of the lease term (return conditions).

3 Material accounting policies (continued)

3.14 Leases (continued)

Heavy maintenance accounting: (continued)

The Company has an obligation to return the leased aircraft and their components according to redelivery conditions specified in the lease agreements. If the condition of the aircraft and its components, at the time of redelivery, differs from the agreed redelivery condition, the Company needs to maintain the aircraft and its components so that it meets the agreed conditions or alternatively the lessor may accept compensation for the expense it may incur to restore the aircraft and its components.

At the lease commencement date, the present value of the expected cost of the restoration that the Company is contractually obligated to incur is recognised and capitalized as part of the right-of-use asset and depreciated over the lease term. The expected costs of restoration that is capitalized as part of the right-of-use asset is the minimum unavoidable costs that the Company is contractually obligated to incur which is essentially triggered when the aircraft has carried out its first flight. The corresponding liability is recorded within "Aircraft related Provisions". The liabilities are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance costs within the statement of profit or loss.

In addition, the Company follows a componentize and depreciate model for its major components (such as engine life limited parts, engine performance restoration, landing gear, auxiliary power units, aircraft related checks, etc.). At the inception of the lease, the cost of these significant components are recognised as a separate component in 'Maintenance assets and redelivery cost' within the right-of-use assets and depreciated over its useful economic life at which point the existing components are replaced and the cost of the new component is capitalized.

All other regular maintenance (non-heavy maintenance) are expensed as incurred in the statement of profit or loss.

Flight-hour / pay-by-the-hour (PBH/FHA) engine maintenance arrangements:

The Company enters into PBH/FHA arrangements with engine maintenance providers under which maintenance services are provided for contractually defined rates.

- Payments related to scheduled engine restorations (EPR/LLP) that accumulate as credits or are off-settable against the next shop visit are recognised as advances for aircraft maintenance until the related maintenance asset is created; thereafter, such amounts are first used to settle the relevant Aircraft related Provision (to the extent provided) with any excess capitalised within 'Maintenance assets and redelivery cost' in right-of-use assets. Amounts that do not build credits (including usage-based rates without offset rights) are expensed as incurred.

- Payments for guaranteed coverage of unscheduled events are treated as insurance-like premiums and expensed as incurred.

Supplier credits and compensation arrangements (if any) are accounted for based on the substance of the arrangement and the nature of the underlying costs. Where supplier credits represent reimbursement of actual, direct and incremental costs incurred by the Company, the credits are recognised in profit or loss as a reduction of the related expense line item to which the reimbursed costs relate.

Where supplier credits are contractually settled solely through application against future supplier invoices (i.e., no cash settlement), amounts contractually receivable but not yet utilised at the reporting date are recognised as prepaid balances within 'Prepaid - other (non-financial assets)' line item under 'Prepaid and other current assets'. Such prepaid balances are applied against future invoices when utilised and are released to profit or loss in the period in which the related costs are recognised as a reduction of the relevant expense line item.

3.14.1 Leases - Application of Practical Expedient for Non-Lease Components

The Company enters into aircraft lease agreements that include composite charges covering both the lease of the aircraft (the right to use the airframe and engines) and bundled operational services such as maintenance, crew services, and insurance. Based on the contractual pricing structure, these arrangements typically include both lease and non-lease components.

As permitted by paragraph 15 of IFRS 16, the Company has elected to apply the practical expedient to account for the entire contractual lease payment, including service components, as a single lease component without separating the non-lease elements. This election is applied consistently to all qualifying aircraft lease contracts with composite pricing structures of similar nature.

3 Material accounting policies (continued)

3.14 Leases (continued)

3.14.1 Leases - Application of Practical Expedient for Non-Lease Components (continued)

By applying this practical expedient, the Company:

- Recognizes the full contractual lease payment (covering aircraft, maintenance, crew, and insurance) as part of the right-of-use asset and corresponding lease liability on initial recognition.

- Measures the right-of-use asset and lease liability based on the total consideration specified in the contract, without allocating amounts to non-lease services separately.

3.15 Loans

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently measured at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of profit or loss over the period of the loans using the effective interest method.

Loans are removed from the statement of financial position when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss as other income or finance costs.

Loans are classified as current liabilities unless, at the end of the reporting period, the Company has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Company is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Company is required to comply with after the reporting period do not affect the classification at the reporting date.

3.16 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are presented as current liabilities unless the payment is not due within 12 months after the reporting period.

3.17 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance costs within the statement of profit or loss.

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

An assessment is made at each reporting date to recognize contingent liabilities which are probable obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Company, to assess whether provision is required.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3.18 Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat, for the Company is calculated based on higher of approximate zakat base and adjusted profit and charged to the statement of profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

The Company withholds taxes on certain transactions with non-resident parties in KSA as required under Saudi Arabian Income Tax Law.

3 Material accounting policies (continued)

3.19 Statutory reserve

In accordance with the Companies Law prior to its amendment and the Company's Bylaws, the Company was historically required to allocate 10% of its annual net income to a statutory reserve, until such reserve reached 30% of the Company's capital. Although the amended Companies Law, effective January 2023, has removed the mandatory requirement to establish a statutory reserve, it continues to permit companies to voluntarily create reserves in accordance with their Bylaws and with the approval of the general assembly. Accordingly, the Company, in line with its existing Bylaws , has elected to continue setting aside 10% of its net income as a statutory reserve. This approach remains consistent with the current legal framework. The reserve will continue to be presented within equity until such time as the Company formally amends its Bylaws or resolves otherwise through the general assembly.

3.20 Foreign currencies

Transaction and balances

Transactions in foreign currencies are initially recorded by the Company at functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the financial statements date. All differences are recognized in the statement of profit or loss.

3.21 Operating profit /loss

Operating profit / loss is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit /loss excludes finance costs, finance income and other non-operating expenses.

3.22 Routine maintenance and repairs

Maintenance and repair costs for leased aircraft are charged to maintenance and other aircraft costs as incurred, with the exception of maintenance and repair costs related to heavy maintenance expenditures and return conditions on aircraft under lease. Refer to Note 3.14 for details relating to heavy maintenance expenditures.

3.23 Selling and marketing, general and administrative expenses

Selling and marketing, general and administrative expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between cost of providing services and selling and marketing, general and administrative expenses, when required, are made on a consistent basis.

3.24 Interest income or expense

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate ("EIR") method. EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included as finance income and interest expense is included as finance cost in the statement of profit or loss.

3.25 Government grants

Government grants that compensate the Company for expenses incurred are recognised in the statement of profit or loss on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.26 Segmental Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's relevant business heads (Chief Operating Decision Makers "CODM") which in the Company's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3 Material accounting policies (continued)

3.26 Segmental Reporting (continued)

Segment results that are reported to the Company's CODM include three operating segments, being its Flynas LCC, Flynas Hajj & Umrah and Flynas General Aviation. Segment results that are reported to the Company's CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The CODM assesses the performance of the business based on the three operational segments and the resource allocation decisions are based on their performance for the relevant period, with the objective in making these resource allocation decisions being to optimize financial results.

Refer to Note 22 for details relating to segmental reporting.

3.27 Earnings per share

The Company presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year including the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.28 Cash-Settled Share-Based Payment Transactions

The Company may grant cash-settled share-based payment awards to employees and other eligible participants. These arrangements entitle participants to receive amounts in cash that are based on the price (or value) of the Company's equity instruments.

Such arrangements are classified as cash-settled share-based payments. The Company recognizes a liability for the services received, which is initially measured at the fair value of the liability on the grant date. The liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss.

The corresponding expense is recognized over the vesting period, if any, during which the employees and other eligible participants become unconditionally entitled to the payment. The liability is classified as current or non-current based on the expected timing of the settlement.

4 Significant accounting judgements, estimates and assumptions

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

4.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements.

4.1.1 Useful life of AOC

During 2015, NAS Holding Company transferred the Air Operator Certificate ("AOC") issued to it by GACA to the Company. AOC is a certificate issued by GACA of KSA authorizing the Company to perform commercial air operations including airport access and landing rights (including access to slots) and Hajj and Umrah Operations.

AOC has a remaining legal useful life of five years and is renewable at the time of expiry with insignificant cost. The Company intends to renew the AOC continuously and evidence based on past experience supports its ability to do so and any conditions necessary to obtain renewal will be satisfied. An analysis of life cycle studies and market and competitive trends provides evidence that AOC will generate net cash inflows for an indefinite period. Accordingly, the management has applied its judgement and has concluded the useful life of the AOC to be indefinite. The AOC is carried at cost without amortization, but is tested for impairment on an annual basis. See also Note 7.

4 Significant accounting judgements, estimates and assumptions (continued)

4.1 Judgements (continued)

4.1.2 Control on aircraft in a sale and leaseback transactions

The Company regularly enters sale and leaseback transactions with various lessors for its newly purchased aircraft and engines. Each transaction is assessed as to whether it meets the criteria within IFRS 15 'Revenue from contracts with customers' for a sale to have occurred. If a sale has occurred, then the associated asset is de-recognized, and a right of use asset and lease liability is recognized. The right of use asset recognized is based on the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Any gains or losses are restricted to the amount that relates to the rights that have been transferred to the counterparty to the transaction.

The Company enters a sale and leaseback transaction with the lessor on the same date it receives delivery of the new aircraft and engines. The Company has applied significant judgement to assess if it has obtained control over the aircraft and engines purchased before it is sold and leased back from the lessor. Under the original terms of the contract with the manufacturer, the Company has the rights and obligation to purchase a specific aircraft and engines. It is purely at the Company's discretion whether to complete the purchase for cash or seek to arrange a lease with a lessor of their choice. In cases where the lease agreement does not include a purchase option, the Company considers itself to have sold the aircraft and engines that it was entitled to, to its chosen lessor and leased it back. Accordingly, the Company considers itself to obtain control of the aircraft and engines prior to entering the lease arrangement with the lessor.

4.1.3 Leases - Heavy maintenance expenditures on return conditions

For aircraft under lease arrangements, the Company has an obligation to maintain the aircraft and its major components during the lease term and an obligation to return the aircraft to the Lessor in a specified condition at the end of the lease term (return conditions). The accounting policy for the right of use asset, lease liability, heavy maintenance expenditure incurred during the lease term and the heavy maintenance required as per the return condition is disclosed in Note 3.14.

The Company records liabilities for the maintenance costs required in respect of the return conditions for its leased aircraft. These are contractual obligations in the lease contract in respect of the return conditions, which require the aircraft to be in a specified condition on their return at the end of the lease term. If the condition at the time of redelivery differs from the agreed redelivery condition, the Company needs to perform maintenance on the asset so that it meets the agreed conditions.

The maintenance costs for return conditions can be divided into two main groups:

- costs that are incurred independent of the usage of the aircraft and
- costs that are incurred dependent on the usage of the aircraft

The Company has applied significant judgement in determining which costs the Company becomes obligated for over time and which exist at commencement of the lease. The Company's leases typically require specified parts to be returned in a full remaining life condition so the obligation to perform the relevant maintenance exists on commencement of the lease as the work has to be performed as a result of the delivery flight.

Major components that are replaced infrequently and overhaul events which occur infrequently are componentized and depreciated separately from the main right-of-use asset. When the component is replaced or the item is overhauled the previous carrying amount for the component is derecognized and replaced by the cost of the new component. Where the life of a component is the same as the main right-of-use asset, the component is not separately depreciated.

4.1.4 Componentization, cost allocation, and residual value assumptions for owned aircraft

The Company applies a componentization approach to its owned aircraft, whereby significant parts of the aircraft, such as airframes, engines, APU, LG, LLPs and engine performance restoration costs are identified and depreciated separately based on their respective useful lives and maintenance requirements.

This componentization involves management judgement in:

- Identifying and defining significant components;
- Determining the appropriate useful lives for each component;
- Allocating the purchase price of the aircraft to these components at the time of acquisition; and
- Determining residual values, which have been restricted to the airframe component only, reflecting the expected recoverable value at the end of its useful life.

4 Significant accounting judgements, estimates and assumptions (continued)

4.1 Judgements (continued)

4.1.4 Componentization, cost allocation, and residual value assumptions for owned aircraft (continued)

The allocation is based on management's best estimates using available information, including technical assessments, third-party valuation reports, and historical cost references. Changes in these estimates or assumptions could have a material effect on the depreciation expense and the carrying amounts of these assets in future reporting periods.

4.1.5 Treatment of IPO costs and related judgements

During the year ended December 31, 2025, the Company completed its IPO, which comprised both the issuance of new shares by the Company and the sale of existing shares by pre-IPO shareholders.

Management considered the applicability of the SOCPA circular on shareholder reimbursement of IPO costs. As this IPO involved a fresh issuance of shares alongside a sale of existing shares, the circular was not considered applicable given its stated scope. Accordingly, the requirements of IAS 32.37 and related guidance were applied.

Under IAS 32, incremental costs directly attributable to the issuance of new equity instruments that would not have been incurred otherwise are recognised as a deduction from equity. Costs attributable to the sale of existing shares and achieving the listing do not meet this definition and are recognised in profit or loss. Also refer to Note 13 for details.

4.2 Assumption and estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Impairment of indefinite lived assets (AOC)

The Company assesses on an annual basis or more frequently if events or changes in circumstances indicate that the indefinite lived assets of the Company are impaired. The Company assesses whether the carrying value of its indefinite lived assets (AOC) is lower than its recoverable amount. Where the carrying amount of these assets exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of the indefinite lived assets (AOC) is determined based on the higher of its fair value less costs of disposal or value in use. The management has determined the recoverable amount using the fair value approach. Details relating to the model used by the management in determining the recoverable amount including the key estimates used and the sensitivities relating to these estimates are disclosed within Note 7.

(ii) Measurement of return condition provision

Estimates involved in calculating the provision required include the inflation rates, expected date of the maintenance work, market prices for maintenance checks, the likely utilization of the asset in terms of either flying hours or cycles from the second last event until the redelivery date, and the regulations in relation to extensions to lives of life-limited parts, which form a significant proportion of the cost incurred in these maintenance event.

Assumptions made in respect of the provision for the return condition are reviewed for all aircraft annually. In addition, when further information becomes available which could materially change an estimate made, such as a heavy-duty maintenance check taking place, utilization assumptions changing, or return conditions being re-negotiated, then specific estimates are reviewed immediately, and the liability and right of use asset if applicable is adjusted accordingly. Actual charges may differ from the charges accrued and the differences are accounted for on a prospective basis. Given the uncertainty in forecasting future maintenance requirements, and the associated judgemental nature of the assumptions applied in determining the maintenance costs, management believes that a reasonable combination of changes to these estimates could result in a material movement to the expense recognised and the carrying value of the provision and the right of use of assets recognised. Should the assumptions change by 5%, this will cause a change in the carrying value of the provision and the right of use of assets recognised by SAR 171.3 million (2024: SAR 159.1 million) and SAR 103.1 million (2024: SAR 111.7 million), respectively. Refer Note 17 for details.

4 Significant accounting judgements, estimates and assumptions (continued)

4.2 Assumption and estimation uncertainties (continued)

(iii) Leases - Discount rate for return conditions provision

For aircraft under lease arrangements, the Company has an obligation to maintain the aircraft and its major components during the lease term and an obligation to return the aircraft to the Lessor in a specified condition at the end of the lease term (return conditions). The Company records liabilities for the maintenance costs required in respect of the return conditions for its leased aircraft. The liabilities are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

If the discount rate changes by 5% of the actual discount rate, this will cause a change in the right-of-use of assets and aircraft related provisions by SAR 81.6 million (2024: SAR 50 million). Refer Note 17 for details.

(iv) Sale and leaseback fair value

The Company routinely enters into sale and leaseback transactions on new planes added to the fleet. In a sale and leaseback transaction it is necessary to assess whether the sale price and rentals are at fair value or off-market. To the extent that transactions are off-market, adjustments are required by IFRS 16 to return the transaction to market terms. This is achieved by deeming either additional financing to be present or that the lessee made a bullet upfront lease payment, depending on whether the sale price was above or below market prices respectively. These adjustments also affect the profit recorded on the sale and leaseback transaction with a deemed sale at undervalue increasing the profit recorded on the date of the transaction and vice versa.

During the year, the Company recorded gains on sale and leaseback transactions of SAR 75.6 million (2024: SAR 130.67 million) partially due to adjustment of off-market elements in leases and related cash credit from suppliers. If the fair value of the aircraft reduced by 10%, the gain on sale and leaseback transactions would change by SAR 29.2 million (2024: SAR 45.7 million).

5 Aircraft, equipment and fixtures

	Note	2025	2024
Aircraft, equipment and fixtures	5.2	**1,371,334,836**	649,821,824
Capital work in progress (CWIP)	5.3	**1,223,823,063**	887,486,557
		2,595,157,899	1,537,308,381

5.1 Useful life

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Asset class	Number of years
Aircraft and aircraft equipment*	3 to 20 years
Modification on leased aircraft and leasehold improvements	3 - 5 years or period of lease, whichever is shorter
Furniture and fixtures	3 - 4 years or period of lease, whichever is shorter

* Aircraft and aircraft equipment consists of components (Airframes, Auxiliary Power Units (APU), Landing Gears (LG), Engine – Limited Life Parts (LLPs), Engine – Performance Restoration Cost) and rotables/repairable spare parts.

Type of Component / Asset	Useful Life
Airframes	20 years
APU	5 years
LG	10 years
LLPs	15 years
Engine – Performance Restoration Cost	5 years
Rotables / repairable spare parts	3 years

5 Aircraft, equipment and fixtures (continued)

5.2 Aircraft, equipment and fixtures

	Note	Aircraft and aircraft equipment	Modification on leased aircraft and leasehold improvements	Furniture and fixtures	Total
Net book value as at January 1, 2024		524,764,922	29,397,775	7,314,965	561,477,662
Cost					
As at January 1, 2024		1,015,609,071	87,055,031	26,424,901	1,129,089,003
Additions		1,200,197,044	-	3,700,155	1,203,897,199
Disposals	5.2.1	(1,196,784,345)	-	-	(1,196,784,345)
Transfers from CWIP	5.3.1	128,732,119	-	750,534	129,482,653
At December 31, 2024		1,147,753,889	87,055,031	30,875,590	1,265,684,510
Accumulated depreciation					
As at January 1, 2024		490,844,149	57,657,256	19,109,936	567,611,341
Charge for the year		39,556,991	4,687,599	4,006,755	48,251,345
At December 31, 2024		530,401,140	62,344,855	23,116,691	615,862,686
Net book value as at December 31,2024		617,352,749	24,710,176	7,758,899	649,821,824

	Note	Aircraft and aircraft equipment	Modification on leased aircraft and leasehold improvements	Furniture and fixtures	Total
Net book value as at January 1, 2025		**617,352,749**	**24,710,176**	**7,758,899**	**649,821,824**
Cost					
As at January 1, 2025		**1,147,753,889**	**87,055,031**	**30,875,590**	**1,265,684,510**
Additions		**1,524,574,904**	**57,002**	**1,978,402**	**1,526,610,308**
Disposals	5.2.1	**(1,052,157,510)**	**-**	**(1,219,762)**	**(1,053,377,272)**
Transfers from CWIP	5.3.1	**331,691,368**	**-**	**-**	**331,691,368**
At December 31, 2025		**1,951,862,651**	**87,112,033**	**31,634,230**	**2,070,608,914**
Accumulated depreciation					
As at January 1, 2025		**530,401,140**	**62,344,855**	**23,116,691**	**615,862,686**
Charge for the year		**76,888,189**	**3,004,123**	**4,709,049**	**84,601,361**
Disposals		**-**	**-**	**(1,189,969)**	**(1,189,969)**
At December 31, 2025		**607,289,329**	**65,348,978**	**26,635,771**	**699,274,078**
Net book value as at December 31,2025		**1,344,573,322**	**21,763,055**	**4,998,459**	**1,371,334,836**

* Included within Aircraft and Aircraft equipment are aircraft purchased and immediately disposed amounting to SAR 1.05 billion (2024: SAR 1.2 billion) relating to sale and leaseback transactions, refer to Note 5.2.1 for more details.

5 Aircraft, equipment and fixtures (continued)

5.2 Aircraft, equipment and fixtures (continued)

Depreciation expense breakup	**2025**	2024
Cost of revenue (Note 23)	**79,892,311**	44,244,590
General and administrative expenses (Note 25)	**4,709,050**	4,006,755
	84,601,361	48,251,345

5.2.1 Sale and leaseback arrangements

During the year, the Company has entered into sale and lease back transaction for newly delivered aircraft that resulted in a cumulative gain of SAR 71.8 million (2024: SAR 131 million) that was recognized in the statement of profit or loss.

5.3 Capital work in progress (CWIP)

Capital work in progress as at December 31, 2025 and 2024 consists of advances paid in respect of pre-delivery payment of aircraft amounting to SAR 692.6 million (2024: SAR 842.6 million) and spare engines amounting to SAR 189.29 million (2024: SAR 25.1 million).

5.3.1 Movement in CWIP

	2025	2024
January 1	**887,486,557**	606,086,049
Additions	**868,652,874**	651,633,161
Refunds of Predelivery payments	**(200,625,000)**	(240,750,000)
Transfers to aircraft, equipment and fixtures	**(331,691,368)**	(129,482,653)
December 31	**1,223,823,063**	887,486,557

6 Right-of-use assets

The cost of right-of-use assets is depreciated over a straight-line method over the estimated useful life of the assets based on the period of the lease contracts.

	2025	2024
January 1	**7,830,739,267**	7,676,084,867
Additions	**1,472,174,405**	1,205,144,145
Modifications	**-**	34,196,618
Termination	**(234,974,692)**	-
Depreciation	**(1,373,625,955)**	(1,084,686,363)
December 31	**7,694,313,025**	7,830,739,267

6.1 The right-of-use assets are segregated as below:

	Aircraft	**Leasehold buildings**	**Maintenance assets and redelivery cost**	**Total**
As at January 1, 2024	5,373,064,260	77,366,702	2,225,653,905	7,676,084,867
Additions, net	762,907,716	2,497,051	439,739,378	1,205,144,145
Modification	34,196,618	-	-	34,196,618
Depreciation	(632,937,959)	(21,186,872)	(430,561,532)	(1,084,686,363)
At December 31, 2024	5,537,230,635	58,676,881	2,234,831,751	7,830,739,267

	Aircraft	**Leasehold buildings**	**Maintenance assets and redelivery cost**	**Total**
As at January 1, 2025	**5,537,230,635**	**58,676,881**	**2,234,831,751**	**7,830,739,267**
Additions, net	**1,153,448,551**	**-**	**318,725,854**	**1,472,174,405**
Termination	**(234,974,692)**	**-**	**-**	**(234,974,692)**
Depreciation	**(860,250,940)**	**(22,185,782)**	**(491,189,233)**	**(1,373,625,955)**
At December 31, 2025	**5,595,453,554**	**36,491,099**	**2,062,368,372**	**7,694,313,025**

6 Right-of-use assets (continued)

6.2 Useful life

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Component	Nature of the component	Number of years, hours, or cycles
Airframe	The structural frame of the aircraft is fully obligated and provided for on commencement of the lease as part of the airframe checks.	Life of the lease, typically 12 years
Landing Gear components	Landing gear provides a suspension system during taxi, take-off and landing.	10 years
Engine Performance	Engine performance is required to be assessed and maintained over the flight hours.	12,000 engine flight hours or period of lease, whichever is shorter
Auxiliary Power Unit (APU)	APU is a small gas turbine engine mounted in the tail cone of an aircraft to provide autonomous electrical and mechanical power. It is maintained over the flight hours.	7,500 engine flight hours or period of lease, whichever is shorter
Engine Life Limited parts (Engine LLP)	Engine LLP are rotors and major static structural parts whose primary failure is likely to result in a hazardous engine effect. Typically, engine life-limited parts include, but are not limited to disks, spacers, hubs, shafts, high-pressure casings, and non-redundant mount components. They are required to be replaced after a specified engine cycles.	20,000 engine cycles or period of lease, whichever is shorter

6.3 During the year, the Company terminated one of its lease agreements before the end of the contractual lease term. The termination was mutually agreed upon between the Company and the lessor and became effective on 13th September 2025. It resulted in termination gain of SAR 3.8 million which is recognised under "Gain on sale of aircraft, equipment and fixtures".

7 Intangible asset

In 2015, following approvals from the Board of Directors and shareholders of NAS Holding Company (the Company's former parent), the Air Operator Certificate ("AOC") issued by the General Authority of Civil Aviation ("GACA") in the Kingdom of Saudi Arabia was transferred to the Company at its fair value of SAR 2,000 million through a non-cash consideration. The AOC authorises the Company to conduct commercial air operations, including airport access, landing rights (including access to slots), and Hajj and Umrah operations.

Subsequently, on 15 April 2024, the shareholders of NAS Holding Company approved the distribution of its entire shareholding in Flynas to their shareholders based on their respective ownership interests. As a result, effective May 14, 2024, the Company ceased to have a controlling parent. This change in ownership structure has no impact on the accounting treatment of the AOC, which continues to be recognized as an intangible asset with an indefinite useful life (refer to key judgements in Note 4.1.2).

The AOC is tested annually for impairment. Based on the most recent impairment assessment, management concluded that no impairment is required, as the recoverable amount exceeds the carrying amount. Management engaged an external valuation specialist to support the impairment assessment. Further details of the valuation methodology are disclosed in Note 7.1.

7.1 Valuation method

The recoverable amount of the AoC has been determined using the fair value less costs of disposal approach, as this yielded an amount higher than its carrying value.

The Company has consistently applied the fair value less cost of disposal approach to assess the impairment of AOC. The fair value was based on the income approach i.e., "Green field method". This method is based on the assumption that a business commences its trade at the measurement date with only the asset in question and accordingly generates cash flows over its economic life. The Greenfield approach is based on a build up profile from inception, considering the historical performance of Flynas, a regional low cost carrier and general estimates for low cost carriers in the aviation industry, to the extent possible.

7 Intangible asset (continued)

7.1 Valuation method (continued)

The fair value measurement is categorized as a level 3 input in the fair value hierarchy i.e., inputs to the model are not based on observable market data.

Key assumptions used to determine the fair value is as follows:

Cash flow projections

For valuation purposes, 17 years cash flow projections were used and for the later period terminal value was based on earning multiple i.e., Gordon Growth Model.

Discount rate

Discount rate is based on build up approach that is based on past experience and external sources, comprising of the following:

- The real yield on long term US Bonds (given the lack of default free government bonds in the region)
- Average long term KSA inflation premium based on long term inflation expectations
- The equity risk premium
- Country risk premium
- Average beta of aviation sector in the emerging markets
- Average gearing of aviation sector in the emerging markets
- Size and specific risk premium

While performing the valuation, the discount rate was estimated to be 16.3%.

Terminal Growth Rate (TGR) used to extrapolate cash flows beyond forecast period

This TGR has been determined based on the long-term inflation forecast of the Kingdom of Saudi Arabia and the terminal growth rate used was at 2.5%. The TGR is consistent with forecasts included in industry reports.

Sensitivity analysis as at December 31, 2025

The recoverable amount calculated by the above-mentioned approach exceeds the carrying amount by SAR 1,064 million. Given below is the impact of sensitivity analysis on the fair value of AoC due to standalone changes in key assumptions used in the valuation of AOC, considering all other assumptions are being constant:

	Change by	**Impact on the fair value of AOC by SAR million**
Increase in discount rate	**100 basis points**	**468**
Decrease in passenger yield	**5%**	**528**
Decrease in load factor*	**5%**	**449**
Decrease in Terminal Growth Rate	**100 basis points**	**114**

* *5% decrease (starting and cap)*

None of the above changes in discount rate, passenger yield, load factor and terminal growth rate will reduce the fair value of AoC to such an extent as to result in impairment charges.

8 Stores and spares

	Note	**2025**	2024
Stores and spares		**6,532,510**	8,025,370
Less: Provision for obsolescence	8.1	**(4,534,167)**	(5,428,430)
		1,998,343	2,596,940

8 Stores and spares (continued)

8.1 Movement in provision for obsolescence

	2025	2024
January 1	**5,428,430**	6,503,262
Utilized during the year	**(894,263)**	(1,074,832)
December 31	**4,534,167**	5,428,430

9 Deposits for aircraft

	2025	2024
Non-current portion	**17,314,070**	37,500,760
Current portion	**48,843,986**	9,063,750
	66,158,056	46,564,510

Credit risk for deposits in aircraft is disclosed in Note 31.1.

10 Trade receivables

	Note	2025	2024
Third party customers		**455,105,427**	328,681,246
Allowance for expected credit losses	10.1	**(94,941,254)**	(90,114,260)
		360,164,173	238,566,986

Trade receivables are non-interest bearing and are generally on terms of 15 to 90 days.

10.1 Set out below is the movement in the allowance for expected credit losses of trade receivables:

Movement in allowance for expected credit losses on trade receivables:

	2025	2024
January 1,	**90,114,260**	77,788,556
Provision for expected credit losses	**4,826,994**	12,325,704
December 31,	**94,941,254**	90,114,260

Note 30.1 to the financial statements includes credit risk disclosures.

11 Prepayments and other current assets

	Note	2025	2024
Receivable from National Air Services, net – NAS Holding Company	11.2	**-**	28,325,381
Deposits to vendors	11.1	**40,094,564**	42,972,581
Advances to suppliers		**50,970,813**	22,906,439
Prepayments		**6,827,568**	5,704,354
Contract assets		**48,035,943**	11,573,336
Prepaid - other	11.3	**150,000,000**	-
Other receivables	29.1	**10,173,507**	5,899,580
		306,102,395	117,381,671

11.1 The balance represents security deposits paid to vendors mainly for fuel, civil aviation authorities and handling agents.

11.2 The expected credit loss provision for this balance amounted to nil as at December 31, 2025. (2024: SAR 14 million).

11 Prepayments and other current assets (continued)

11.3 During the year ended December 31, 2025, the Company experienced aircraft-on-ground (AoG) events. Accordingly, the Company entered into a support agreement for providing credits totaling SAR 150 million in respect of AoG-related support.

The Company assessed the arrangement and concluded that the credits represents reimbursement of actual, direct and incremental costs incurred to mitigate AoG disruptions during 2025. Accordingly, the Company recognised the full SAR 150 million as a reduction within cost of revenue for the year ended 31 December 2025.

At December 31, 2025, the Company recognised a prepaid balance of SAR 150 million (Prepaid – other) representing the supplier credits receivable in respect of such AoG events. The supplier credits will be settled through application against future invoices from the supplier (i.e., by reducing amounts payable on eligible invoices) during 2026 and as such it is treated as a non-financial asset. The Company has not offset this prepaid balance against trade payables as at December 31, 2025.

The Company also assessed the broader AoG exposure in conjunction with this settlement. Existing contractual support as described above, measures implemented to prevent similar disruptions in the foreseeable future and the Company's available liquidity resources were assessed as sufficient to address this exposure.

12 Cash and cash equivalents and bank deposits

	2025	2024
Cash in hand	**1,148,874**	1,193,798
Cash at banks	**371,277,878**	439,132,580
Bank deposits	**3,770,554,657**	1,260,000,000
Cash and cash equivalents	**4,142,981,409**	1,700,326,378
Bank deposits - with original maturity of more than 3 months	**56,250,000**	56,250,000
Cash and cash equivalents and bank deposits	**4,199,231,409**	1,756,576,378

13 Share capital, Share Premium and Employees Share-based Payment Program

13.1 Share Capital

As at December 31, 2025 and 2024, the authorized, issued and fully paid share capital of the Company consists of 170,851,893 (2024: 153,425,000) shares of SAR 10 each. Each ordinary share carries one vote.

13.2 Share Premium, net

The Company was listed on the Saudi Stock Exchange (Tadawul) on June 18, 2025 under the trading symbol 4264. Following the IPO, the Company offered 17.4 million new shares at SAR 80 per share, generating gross proceeds of SAR 1,394 million. Of this, SAR 174.3 million was allocated to the nominal value of new shares, SAR 29.1 million to cover the offering costs associated with the capital increase shares offered for public subscription, and remaining SAR 1,190.7 million to share premium. The IPO increased the Company's share capital and share premium accordingly.

13.3 Employees Share Based Payment Program

The Company has established a cash-based incentive and reward program for its employees, Senior Executives, Directors, and members of the Board. The program is funded through the proceeds of the Company's (IPO), specifically from the sale of 12,274,000 shares at an offer price of SAR 80 per share. These shares represented 23.95% of the total offering shares at the time of IPO and comprised the sale of:

1 All 8,320,237 treasury shares held by the Company, representing 5.42% of the Company's pre-IPO share capital, and

2 3,953,763 shares by existing shareholders on a pro rata basis, representing 2.58% of the Company's share capital, as part of the Offer Shares.

In connection with the program, the Company recognized a one-time, non-recurring accounting charge of SAR 981.92 million for the year ended December 31, 2025, recorded under General and Administrative Expenses. This charge corresponds to the recognition of a financial liability for the expected cash payouts under the program.

At the time of the IPO, the proceeds from the sale of the entire 12,274,000 shares were credited to shareholders' equity under "Retained Earnings."

13 Share capital, Share Premium and Employees Share-based Payment Program (continued)

13.3 Employees Share Based Payment Program (continued)

Under the terms of the program:

- 100% of the incentive amounts due to Directors, Board Committee members, and the Chief Executive Officer were paid at the time of listing, and
- 50% of the incentive amounts due to other employees (excluding the CEO) were paid at the time of listing, with the remaining 50% to be paid within 24 months following the listing date, corresponding to June 18, 2025.

13.4 Contribution from shareholders

Contribution from shareholders is classified as equity when there is no contractual obligation to transfer cash or another financial asset to the shareholders. Non-monetary contributions from the shareholders are carried at fair value.

14 Statutory reserve

Under the previous companies regulations, the Company was required to transfer annually 10% of the net income to the statutory reserve. Although the amended Companies Law, effective January 2023, has removed the mandatory requirement to establish a statutory reserve, it continues to permit companies to voluntarily create reserves in accordance with their By-laws and with the approval of the general assembly. Accordingly, the Company, in line with its existing By-laws , has elected to continue setting aside 10% of its net income as a statutory reserve. This approach remains consistent with the current legal framework. The reserve will continue to be presented within equity until such time as the Company formally amends its By-laws or resolves otherwise through the general assembly. No such transfer was carried out during the year ended December 31, 2025 due to net loss.

15 Trade and other payables

	Note	**2025**	2024
Trade payables		**811,517,190**	759,821,210
Accrued expenses		**471,326,491**	481,199,757
Passenger taxes payable		**218,286,321**	136,657,579
Taxes payable (Zakat and VAT)		**49,312,791**	39,402,263
Employee share-based payment program payable	13	**262,859,151**	-
Other payables	15.1	**117,437,424**	141,260,777
		1,930,739,368	1,558,341,586
Non-current portion	13	**(130,316,621)**	-
Current portion		**1,800,422,747**	1,558,341,586

15.1 The balance primarily relates to liabilities for withholding taxes on payments to international suppliers across various jurisdictions. The payables for these liabilities have been determined in anticipation of unfavorable outcome. Given the expectation of resolving these issues in the near term, these liabilities are classified as short-term payables.

16 Lease liabilities

	2025	2024
January 1	**5,813,463,597**	5,525,049,866
Additions	**1,197,426,890**	708,192,768
Modifications	**-**	34,196,618
Finance cost (Note 27)	**370,256,417**	417,889,088
Termination	**(238,826,775)**	-
Payments	**(1,152,094,900)**	(871,864,743)
December 31	**5,990,225,229**	5,813,463,597

16 Lease liabilities (continued)

16.1 Lease liabilities are segregated as below:

	2025	2024
Current portion	**1,039,982,124**	507,661,044
Non-current portion	**4,950,243,105**	5,305,802,553
	5,990,225,229	5,813,463,597

The total cash outflow resulting from leases for the year 2025 amounted to SAR 1,550.5 million (2024: SAR 1,181.4 million).

Expenses relating to short-term leases during the year 2025 amounted to 348 million (December 31, 2024: SAR 309.5 million) (Note 23).

17 Aircraft related provisions

Aircraft related provisions consist of heavy maintenance and return-condition cost of aircraft.

	2025	2024
January 1	**3,396,814,619**	2,823,619,130
Additions	**304,252,924**	447,209,611
Finance cost (Note 27)	**122,662,376**	187,970,314
Payments	**(397,927,185)**	(61,984,436)
December 31	**3,425,802,734**	3,396,814,619

17.1 Aircraft related provisions are segregated as below:

	2025	2024
Current portion	**310,285,694**	297,794,229
Non-current portion	**3,115,517,040**	3,099,020,390
	3,425,802,734	3,396,814,619

Non-current provisions mainly relate to future aircraft maintenance obligations of the Company on leased aircraft, falling due typically between one and 12 years from the reporting date. Current aircraft maintenance provisions relate to heavy maintenance obligations expected to be fulfilled in the coming financial year. The provision amount reflects management's estimates of the cost of heavy maintenance work that will be required in the future to discharge obligations under the Company's lease agreements.

18 Contract liabilities

	Note	**2025**	2024
Unutilized tickets	18.1	**422,746,307**	410,474,783
Customer loyalty programme	18.2	**10,061,202**	10,127,439
Deposit from customers	18.3	**92,739,242**	4,366,572
		525,546,751	424,968,794
Revenue recognized during the year that was included in the contract liabilities balance at the beginning of the year		**410,474,783**	322,142,481

18.1 Revenue deferred during the year was SAR 7.09 billion (2024: SAR 6.6 billion) and revenue recognized during the year amounted to SAR 7.08 billion (2024: SAR 6.5 billion).

18.2 Customer loyalty miles redeemed and expired during the year were SAR 1.8 million (2024: SAR 3.6 million) and miles earned and sold during the year were SAR 1.75 million (2024: SAR 4.6 million). Customer loyalty miles have one year expiration.

18.3 Deposit from customers (i.e. travel vouchers), if any, are expected to be recognized within one year.

19 Loans

	Note	2025	2024
Saudi Industrial Development Fund		**-**	62,250,000
Murabaha Facility – I	19.2	**1,010,318,218**	362,981,250
Murabaha Facility – II	19.3	**309,374,745**	-
Murabaha Facility – III	19.4	**164,500,000**	-
		1,484,192,963	425,231,250

	2025	2024
Current portion	**429,477,828**	324,487,500
Non-current portion	**1,054,715,135**	100,743,750
	1,484,192,963	425,231,250

19.1 During the year ended, the Company has repaid loan installments for Murabaha Facilities amounting SAR 502 million and Saudi Industrial Development Fund amounting to SAR 62.2 million.

19.2 During the year ended, the Company executed a second drawdown for an amount of SAR 1,125 million under the Master Murabaha Agreement (Murabaha Facility – I) signed during the year 2022 with a consortium of banks for an amount of SAR 2.25 billion. The repayment plan for the second drawdown is split into 47 equal monthly installments commencing from the month of April 2025. The Facility carries a margin which is based on market rate plus one-month Saudi Interbank Offer Rate plus additional margin rate and includes certain covenants. The facility is denominated in SAR.

19.3 During the year ended, the Company signed a Murabaha Facility Agreement (Murabaha Facility – II) with a bank for an amount of SAR 495 million secured against the aircraft. The drawdown request in relation to the Facility was completed during the current year for an amount of SAR 330 million. The repayment plan is split into 144 equal monthly installments commencing from the month of April 2025. The Facility carries a markup margin which is based on market rate plus one-month Secured Overnight Financing Rate ('SOFR') rate and includes certain covenants. This facility is solely for the purchase of aircraft and as such the aircraft is collateralized against this loan. The facility is denominated in United States Dollar ('USD').

19.4 During the year ended, the Company signed a Murabaha Facility Agreement (Murabaha Facility – III) with a bank for an amount of SAR 504 million secured against the aircraft. The drawdown request in relation to the Facility was completed during year ended for an amount of SAR 168 million. The repayment plan is split into 144 equal monthly installments commencing from the month of October 2025. The Facility carries a markup margin which is based on market rate plus one-month SOFR rate and includes certain covenants. This facility is solely for the purchase of aircraft and as such the aircraft is collateralized against this loan. The facility is denominated in USD.

* All of the aforementioned loans carry certain financial and non-financial covenants. There is no breach of such covenants for the year ended December 31, 2024 and 2025. Management expects that the Company will continue to comply with the covenant requirements for the year ending 31 December 2026.

20 Employees' end of service benefits liabilities

20.1 Actuarial valuation

The most recent actuarial valuation was performed as of December 31, 2025, by an independent actuary:

20.2 Principal actuarial assumptions

	2025	2024
Salary increase rate	**4.5%**	4.8%
Discount rate	**4.5%**	5.3%
Mortality rate	**WHO SA 19**	WHO SA 19
Turnover rate	**10% - 40% (based on age band)**	9% - 35% (based on age band)

The actuarial valuation was conducted using the Projected Unit Credit method.

20 Employees' end of service benefits liabilities (continued)

20.3 Employees' end of service benefits expense

	2025	2024
Current service cost	**33,298,929**	31,867,114
Interest cost on benefit liabilities	**13,790,991**	11,628,182
Other benefits	**4,495,801**	-
	51,585,721	43,495,296

20.4 Movement of present value of employees' end of service benefits liability

	Note	**2025**	2024
January 1		**267,868,028**	231,501,803
Charge for the year	20.3	**51,585,721**	43,495,296
Benefits paid		**(16,853,428)**	(23,709,928)
Remeasurement loss on employees' end of service benefits liabilities		**14,252,068**	16,580,857
December 31		**316,852,389**	267,868,028

20.5 Employees' end of service benefits liability sensitivity analysis

A quantitative sensitivity analysis for significant assumption on the employees' end of service benefits liability as at December 31, 2025 and December 31, 2024 is shown below:

Assumptions	**Salary increase rate**		**Discount rate**	
Sensitivity level	**1% Increase**	**1% Decrease**	**1% Increase**	**1% Decrease**
December 31, 2025	**328,642**	**(295,826)**	**(297,381)**	**327,238**
December 31, 2024	281,459	(254,315)	(255,698)	280,189

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the employees' end of service benefits liability as a result of reasonable changes in key assumptions occurring as at December 31, 2025 and December 31, 2024. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The sensitivity analysis above does not include the impact of changes in experience adjustments which impacts the remeasurement (gain) or loss disclosed above.

The weighted average duration of the end of service benefits plan obligation as at December 31, 2025 is 4.78 years (2024: 4.57 years).

21 Zakat

Charge for the year and status of assessments

During the year ended 2024, the ownership of the Company had changed and as such the Company started to file a separate zakat return from the year ended 2024. The zakat return for year ended 2024 was filed.

The Ministry of Finance issued new Zakat implementing regulations under Ministerial Resolution No. 1007 dated 19/8/1445H (corresponding to 29 February 2024) (the "New Zakat By-Laws").

The approach to computing the Zakat liability has undergone changes with the implementation of the New Zakat By-Laws compared to the previous calculation basis for years prior to 2024. For the year ended December 31, 2025, in accordance with the regulations of ZATCA, zakat is payable at 2.578% (2024: 2.578%) of the zakat base which is attributable to the Saudi shareholders.

21 Zakat (continued)

Charge for the year and status of assessments (continued)

The zakat provision is based on the following:

	2025	**2024**
Profit after zakat	**(526,999,611)**	433,509,594
Adjustments related to provisions, depreciation and others	**-**	23,780,119
Adjusted profit for the year	**(526,999,611)**	457,289,713
Share capital	**1,708,518,930**	1,534,250,000
Statutory reserve	**43,500,959**	150,000
Provisions and other adjustments	**(608,817,321)**	(1,531,803,360)
Zakat base prior to adjusted profit for the year	**1,143,202,568**	2,596,640
Zakat charge for the year at 2.5847% of zakat base	**29,468,145**	67,116
Zakat charge for the year at 2.5% of adjusted profit for the year	**-**	11,432,243
Zakat charge for the year at 2.5%	**29,468,145**	11,432,243
Charge allocated for the preceding years	**6,087,925**	11,750,372
Total charge for the year	**35,556,070**	23,182,615

The movement in provision for zakat is as follows:

	2025	2024
Opening balance	**38,942,505**	15,759,890
Charge during the year	**29,468,145**	11,432,243
Charge allocated for the preceding years	**6,087,925**	11,750,372
Total charge for the year	**35,556,070**	23,182,615
Zakat paid	**(26,889,461)**	-
Closing balance	**47,609,114**	38,942,505

22 Revenue and segmental reporting

	2025	2024 (Adjusted)*
Flynas LCC	**7,086,364,271**	6,784,085,834
Flynas Hajj	**584,402,868**	586,787,989
Flynas General Aviation	**173,540,394**	185,195,167
	7,844,307,533	7,556,068,990

Segment results that are reported to the Company's CODM include three operating segments, being Flynas LCC, Flynas Hajj and Flynas General Aviation. These segments are the basis on which the Company reports the segment information to the CODM for the purposes of resource allocation and assessment of segment performance. The principal services of each of these segments are as follows:

- Flynas LCC: This business segment represents the Company's core offering of commercial scheduled flights, which operate according to a pre-planned and published schedule, and is offered as a low-cost product. Effective 1 January 2025, Umrah flights are also included in Flynas LCC segment and are no more part of Flynas Hajj segment.

- Flynas Hajj: This business segment mainly serves Hajj pilgrims travelling to the Kingdom, and includes flight operations that are typically arranged based on seasonal demand. Effective 1 January 2025, Umrah flights are excluded from this segment and are part of Flynas LCC segment.

- Flynas General Aviation: This business segment relates to the services provided for aircraft management customers under respective contracts where the Company provides services mainly relating to crew, maintenance of aircraft and other ancillary services. Additionally, this also includes the operation of charter flights for private customers.

22 Revenue and segmental reporting (continued)

	2025				2024 (Adjusted)*			
Segment	**Flynas LCC**	**Flynas Hajj**	**Flynas General Aviation**	**Total**	Flynas LCC	Flynas Hajj	Flynas General Aviation	Total
Revenue	**7,086,364,272**	**584,402,868**	**173,540,393**	**7,844,307,533**	6,784,085,834	586,787,989	185,195,167	7,556,068,990
Operating expenses *	**(7,224,655,454)**	**(491,247,261)**	**(155,420,320)**	**(7,871,323,035)**	(5,805,601,841)	(528,860,556)	(176,495,315)	(6,510,957,712)
Operating (Loss) / profit	**(138,291,182)**	**93,155,607**	**18,120,073**	**(27,015,502)**	978,483,993	57,927,433	8,699,852	1,045,111,278
Finance costs, net	**(464,421,533)**	**(5,187)**	**(1,319)**	**(464,428,039)**	(588,419,185)	147	(31)	(588,419,069)
(Loss) / Profit before zakat	**(602,712,715)**	**93,150,420**	**18,118,754**	**(491,443,541)**	390,064,808	57,927,580	8,699,821	456,692,209
Zakat expense	**(32,850,000)**	**(2,706,070)**	**-**	**(35,556,070)**	(21,600,000)	(1,582,615)	-	(23,182,615)
(Loss) / Profit for the year	**(635,562,715)**	**90,444,350**	**18,118,754**	**(526,999,611)**	368,464,808	56,344,965	8,699,821	433,509,594
Depreciation	**(1,458,213,617)**	**(13,700)**	**-**	**(1,458,227,317)**	1,132,926,258	11,450	-	1,132,937,708
Additions to non-current assets	**2,613,435,315**	**-**	**-**	**2,613,435,315**	1,574,888,815	-	-	1,574,888,815
Total Assets	**16,506,433,574**	**594,635,278**	**122,056,448**	**17,223,125,300**	12,974,145,683	494,234,430	61,354,020	13,529,734,133
Total Liabilities	**13,537,982,023**	**124,778,461**	**10,598,950**	**13,673,359,434**	11,766,335,685	115,039,067	5,313,122	11,886,687,874

* Effective 1 January 2025, the Company revised the composition and internal reporting of its operating segments following changes in reporting to management approved by the Chief Operating Decision Maker (CODM).

The Flynas Hajj segment no longer includes revenue for flights associated with the performance of Umrah separate from Hajj. This revenue is now reported within the Flynas LCC segment. As a consequence of this change, there is no longer any inter-segment revenue between Flynas LCC and Flynas Hajj segments because the intersegment revenue represented a cross-charge for the Umrah flights.

Accordingly, the comparative period information is adjusted.

22 Revenue and segmental reporting (continued)

	2025	2024
Revenue:		
Total reportable segments revenue	**7,844,307,533**	7,792,172,267
Elimination of intersegment revenue**	**-**	(236,103,277)
	7,844,307,533	7,556,068,990
Operating expenses:		
Total reportable segments operating expenses	**7,871,323,035**	6,747,060,989
Elimination of intersegment operating expenses**	**-**	(236,103,277)
	7,871,323,035	6,510,957,712

* Flynas LCC operating expenses include gain on sale and lease back transactions (Note 5.2.1).

** Eliminations are primarily from Flynas LCC segment.

22.1 Geographical revenue analysis for Flynas LCC passenger flights

The following table disaggregates Flynas LCC passenger flights revenue by the primary geographical market:

	2025	2024
International	**4,405,366,967**	3,897,670,123
Domestic	**2,628,635,379**	2,613,126,151
Other	**52,361,926**	37,186,283
	7,086,364,272	6,547,982,557

Flynas Hajj passenger related revenue is concentrated with international geographical locations.

23 Cost of revenue

	Note	**2025**	2024
Fuel cost		**1,701,826,444**	1,717,634,869
Landing, handling, and en-route charges		**1,437,051,066**	1,457,257,247
Salaries and related costs		**917,552,010**	863,653,958
Maintenance and other aircraft costs		**468,374,311**	431,151,207
Depreciation on right-of-use assets	6	**1,373,625,955**	1,084,686,363
Depreciation on equipment and fixtures	5	**79,892,311**	44,244,590
Rental expense	16	**348,329,028**	309,541,003
Commission and reservation systems expenses		**120,296,164**	121,806,891
Others	23.1	**118,119,256**	110,213,525
Less:			
Government grant	23.2	**(53,904,210)**	(52,624,147)
Reimbursement for incremental costs against AoG	11.3	**(150,000,000)**	-
		6,361,162,335	6,087,565,506

23.1 Others primarily include insurance charges, utilities, and tax related charges.

23.2 This primarily includes the incentive received from the government based on operating flights on designated routes.

24 Selling and marketing expenses

	2025	2024
Salaries and related expenses	**69,955,592**	65,767,486
Business development and promotion expenses	**102,243,992**	79,844,037
Collection charges	**54,915,275**	71,443,253
Customer-service related expenses	**15,282,265**	12,610,862
Professional fees	**27,085,333**	10,247,041
Others	**11,896,489**	12,256,585
	281,378,946	252,169,264

25 General and administrative expenses

25.1 General and administrative expenses (recurring)

	Note	2025	2024
Salaries and related expenses		**120,204,256**	160,891,280
Professional fees	25.1	**40,399,854**	72,515,187
Depreciation on equipment and fixtures	5	**4,709,050**	4,006,755
Others		**63,265,342**	20,415,362
		228,578,502	257,828,584

25.1.1 Auditor's remuneration for the statutory audit of the financial statements for the year ended December 31, 2025 amounted to SAR 2.5 million (2024: SAR 1.83 million) and other related services amounted to Nil (2024: SAR 1.96 million).

25.2 General and administrative expenses (non-recurring)

	Note	2025	2024
Employee share-based payment expense – Non-recurring expense		**981,920,000**	-
Transaction costs related to IPO – Non-recurring	25.2.1	**101,047,516**	-
		1,082,967,516	-

25.2.1 These expenses are solely in respect of IPO related items. The IPO costs not relating to the issuance of fresh equity instruments are reported separately as non-recurring, as is the share-based payment that was granted and vested within the year as an exceptional bonus to management in contemplation of the IPO. The Company does not anticipate using this non-recurring heading in future periods and it is not intended to capture all non-recurring items, only these two specified costs given their exceptional nature and incidence.

26 Finance income

	2025	2024
Interest income on deposits with banks	**163,025,475**	71,615,316
Reversal of imputed interest on deposits for aircraft	**666,285**	32,899,549
	163,691,760	104,514,865

27 Finance cost

	Note	2025	2024
Interest on lease liabilities	16	**370,256,417**	417,889,088
Interest on aircraft related provision	17	**122,662,377**	187,970,314
Bank guarantee and commitment fee		**28,946,018**	25,373,526
Imputed interest on long-term payables		**-**	14,427,727
Interest on loans	19	**97,206,024**	44,123,456
Others		**9,048,963**	3,149,823
		628,119,799	692,933,934

28 Contingencies, commitments and letters of credit and guarantee

28.1 Commitments

The Company has entered into contracts with the aircraft manufacturer for the purchase of certain aircraft. The remaining value of this contract is SAR 36,873 million (2024: SAR 38,475 million) excluding pre-delivery payments carried out as at the balance sheet date.

28.2 Contingencies

As at December 31, 2025 and 2024, the Company has no outstanding contingencies.

28 Contingencies, commitments and letters of credit and guarantee (continued)

28.3 Letters of credit and guarantee

As at December 31, 2025, the Company has outstanding letters of credit and bank guarantees amounting to SAR 1,343 million (2024: SAR 1,159 million). The outstanding letters of credit include arrangement with the lessors in relation to the heavy maintenance deposits.

29 Financial instruments

Fair value measurement of financial instruments

Financial instruments comprise financial assets, financial liabilities and derivative financial instruments. Financial assets and financial liabilities are measured at amortised cost, except for derivatives which are measured at fair value through profit or loss (FVTPL)

Financial assets comprise of the following:

Financial statements line item	Note	IFRS 9 classification	December 31, 2025	December 31, 2024
Trade receivables	10	Amortized cost	**360,164,173**	238,566,986
Cash and cash equivalents and bank deposits (including cash in hand)	12	Amortized cost	**4,199,231,409**	1,756,576,378
Deposits for aircraft	9	Amortized cost	**66,158,056**	46,564,510
Deposits to vendors	11	Amortized cost	**40,094,564**	42,972,581
Receivable from NAS Holding Company	11	Amortized cost	**-**	28,325,381
Contract asset			**48,035,943**	11,573,336
Other receivables*	11	Amortized cost and fair value through profit or loss	**10,173,507**	5,899,580

* *Other receivables include a derivative asset which is classified at fair value through profit or loss amounting to SAR 3,548,916 which is the fair value of this derivative as at December 31, 2025. Refer Note 29.1 for details.*

Financial liabilities comprise of the following:

Financial statements line item	Note	IFRS 9 classification	December 31, 2025	December 31, 2024
Trade and other payables (excluding taxes)	15	Amortized cost	**1,663,140,256**	1,382,281,745
Lease liabilities	16	Amortized cost	**5,990,225,229**	5,813,463,597
Loans	19	Amortized cost	**1,484,192,963**	425,231,250

As at December 31, 2025 and 2024, the management has assessed that the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are either short term in nature or carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values.

Derivative financial instruments are measured at fair value at each reporting date and therefore their carrying amounts equal fair value.

29.1 Derivative financial instruments – commodity option (Brent)

Nature of the transaction

During the year, the Company entered into a plain-vanilla Asian call option on Brent crude oil with a financial institution to economically manage exposure to fuel price volatility. The Company acted as the option buyer and the counterparty was a financial institution. The contract was traded on 30 October 2025, became effective on 1 January 2026, and is scheduled to terminate on June 30, 2027. The instrument is cash-settled and covers a total notional quantity of 1,310,162 barrels, for which the Company paid an upfront premium of SAR 6.4 million (USD 1.7m). The fair value is disclosed in the above table.

29 Financial instruments (continued)

29.1 Derivative financial instruments – commodity option (Brent) (continued)

Fair value measurement (IFRS 13)

The option's fair value is determined using an option-pricing model appropriate for Asian options, calibrated to observable market inputs wherever possible, and classified within the fair value hierarchy as Level 2, unless (and only to the extent) significant unobservable inputs (e.g., bespoke volatility adjustments) are required, in which case the classification is Level 3.

Management classifies the derivative asset at level 2, monitors the sensitivity of the derivative's fair value to reasonable changes in key market inputs. However, the key market inputs' sensitivities are not considered to be material for the Company as at December 31, 2025.

30 Risk management of financial instruments

Risk management framework

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

This Note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

30.1 Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk for the Company arises from cash at bank, trade receivables, deposits to vendors, deposits for aircraft and other receivables.

As at December 31, 2025 and 2024, the Company was exposed to credit risk on the following balances:

	Note	2025	2024
Trade receivables	10	**360,164,173**	238,566,986
Cash at bank and bank deposits	12	**4,198,082,535**	1,756,576,378
Deposits for aircraft	9	**66,158,056**	46,564,510
Deposits to vendors	11	**40,094,564**	42,972,581
Contract asset	11	**48,035,943**	11,573,336
Receivable from NAS Holding Company	11	**-**	28,325,381
Other receivables	11	**10,173,507**	5,899,582
		4,722,708,778	2,130,478,754

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above. Further, the Company does not hold any collateral against these financial assets.

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Company does not face any significant concentration risks in relation to each class of financial assets mentioned above.

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Deposit for aircraft relates to payment carried out to different aircraft lessors. Given that the Company physically possesses the aircraft owned by the lessors and the Group has significant future lease payment obligations towards the same lessors, management does not consider the credit risk on such deposits to be material.

Most of the remaining balance in this category in both years relates to ticket sales receivables from customers and non-ticket revenue receivables from business partners. These balances are spread between a significant number of counterparties and the credit performance in these channels has historically low default rates.

Cash at bank

Credit risk on bank balances is limited as cash balances are held with banks having sound credit ratings as below:

	Rating					
Banks		**Short term**	**Long term**	**Rating Agency**	**2025**	2024
Al Rajhi Bank – Time deposit	F1	A	A	Fitch Ratings	**1,843,813**	200,000,000
Al Rajhi Bank – Bank balance	F1	A	A	Fitch Ratings	**-**	17,461,995
Bank Aljazira – Bank balance	F2	A-	A-	Fitch Ratings	**18,755,637**	19,230,707
Bank Aljazira – Time deposit	F2	A-	A-	Fitch Ratings	**459,724,845**	100,000,000
Banque Nationale de Algerie	F1+	AAA	AAA	Fitch Ratings	**131,825,844**	54,050,490
Banque Saudi Fransi – Time deposit	F2	A-	A-	Fitch Ratings	**1,418,261,108**	936,250,000
Banque Saudi Fransi – Bank balance	F2	A-	A-	Fitch Ratings	**20,520,200**	50,801,088
Citi Bank	F1	A	A	Fitch Ratings	**26,187,352**	26,187,352
Emirates NBD Bank – Bank balance	F1	A+	A+	Fitch Ratings	**6,395,495**	44,913,126
Gulf International Bank – Time deposit	F2	A-	A-	Fitch Ratings	**896,677**	80,000,000
Gulf International Bank – Bank balance	F2	A-	A-	Fitch Ratings	**-**	64,464,119
Others					**7,746,729**	1,908,315
SAB Bank – Bank balance	F2	A-	A-	Fitch Ratings	**148,059,459**	153,956,130
SAB Bank – deposit	F2	A-	A-	Fitch Ratings	**1,948,818,704**	-
Saudi National Bank – Bank balance	F1	A	A	Fitch Ratings	**9,046,672**	6,159,258
					4,198,082,535	1,755,382,580

The Company has kept cash and cash equivalents in reputable banks and financial institutions, so the expected credit losses of cash and cash equivalents as at December 31, 2025 and 2024 is not material.

Trade receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

In monitoring customer credit risk, customers are segmented according to their credit characteristics, including whether they are an individual or a legal entity, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Trade receivable (continued)

The Company manages credit risk with respect to trade receivable by monitoring in accordance with defined policies and procedures. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Company's exposure to expected credit loss is not significant.

The Company establishes a provision for impairment that represents its estimate of potential losses in respect of trade receivables. The sale of Flynas LCC services and Flynas Hajj services is largely achieved through International Air Transport Association ("IATA") approved sales agents. All IATA agents have to meet minimum financial criteria applicable to their country of operation to remain accredited. Adherence to the financial criteria is monitored on an ongoing basis by IATA through their Agency programme.

The Company applies the IFRS 9 simplified approach for measuring expected credit losses on trade receivables which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2025 or January 1, 2025 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified GDP of KSA (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Company's trade receivables are third-party customers. The exposure to credit risk for trade receivables at the end of the reporting period was:

	2025	2024
Third-party customers	**455,105,427**	328,681,246

Within the third-party customers, the credit risk is further disaggregated based on the three revenue streams based on the fact that each revenue stream has a different customer base. The details of the expected credit losses calculated for each of these customer bases are disclosed in the table further below.

The maximum exposure in respect of amounts receivable is limited to their carrying values as management regularly reviews these balances whose recoverability is in doubt.

A default on a trade receivable occurs when the counterparty fails to make contractual payments within 360 days of when they fall due. The Company initially assesses a receivable for write-off when a debtor fails to make contractual payments greater than 720 days past due. Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where receivables have been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the statement of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item. Impairment losses on trade receivables, if any, are presented as provision for expected credit losses within operating profit / loss.

The Company's major expected credit losses arise from long-outstanding receivables due from various parties that have failed to make contractual payments for an extended period, in many cases exceeding 720 days past due. The Company continues to engage with these parties to develop structured repayment plans. However, receivables that are significantly overdue typically more than 720 days past due are generally considered uncollectible and are written off, unless there is objective evidence supporting their recoverability. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Company's exposure to expected credit loss is not significant.

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Inputs into measurement of ECL

The following tables provides information about the exposure to credit risk and ECLs for trade receivables for third-party customers for each revenue stream as at December 31, 2025 and 2024:

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Flynas LCC:

	December 31, 2025			December 31, 2024		
	Gross carrying amount	**Expected credit loss rate**	**Loss allowance**	Gross carrying amount	Expected credit loss rate	Loss allowance
Not due	**124,744,906**	**3.8%**	**4,756,205**	59,500,166	5.47%	3,256,170
Days past due						
1-90 days	**101,706,314**	**10.56%**	**10,741,564**	70,197,210	8.38%	5,884,328
91-360 days	**4,617,992**	**23.64%**	**1,091,515**	280,524	19.2%	53,850
+360 days	**5,461,067**	**50%-100%**	**2,961,067**	8,321,073	50%-100%	4,563,188
Specific provision	**26,621,126**	**100%**	**26,621,126**	26,621,126	100%	26,621,126
Government receivable	**13,164,798**	**-**	**-**	974,425	-	-
	276,316,203		**46,171,477**	165,894,524		40,378,662

The expected credit loss charge for Flynas LCC during the year amounted to SAR 5.8 million.

Flynas Hajj:

	December 31, 2025			December 31, 2024		
	Gross carrying amount	**Expected credit loss rate**	**Loss allowance**	Gross carrying amount	Expected credit loss rate	Loss allowance
Not due	**81,486**	**3.69%**	**3,003**	4,112,956	0.03%	1,056
Days past due						
1-90 days	**5,709,153**	**5.05%**	**288,450**	1,517,765	0.03%	390
91-360 days	**79,911,178**	**9.07%**	**7,244,015**	29,489,295	0.24%	70,169
+360 days	**19,112,910**	**100.00%**	**19,112,910**	25,457,655	100%	25,457,655
	104,814,727		**26,648,378**	60,577,671		25,529,270

The expected credit loss charge for Flynas Hajj during the year amounted to SAR 1.1 million.

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Flynas General Aviation:

	December 31, 2025			December 31, 2024		
	Gross carrying amount	**Expected credit loss rate**	**Loss allowance**	Gross carrying amount	Expected credit loss rate	Loss allowance
Not due	**3,681,395**	**9.62%**	**354,300**	9,567,132	6.94%	663,549
Days past due						
1-90 days	**25,120,617**	**14.67%**	**3,685,478**	17,659,339	7.52%	1,327,827
91-360 days	**28,859,370**	**18.19%**	**5,249,024**	58,853,067	15.25%	8,975,692
+360 days	**16,313,115**	**70%-100%**	**12,832,597**	16,129,513	60%-100%	13,239,262
	73,974,497		**22,121,399**	102,209,051		24,206,330

The expected credit loss reversal for Flynas General Aviation during the year amounted to SAR 2.1 million.

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Deposit for aircraft, deposits for vendors, receivable from National Air Services – NAS Holding Company and other receivables

Deposit for aircraft, deposits for vendors and other receivables are subject to the impairment requirement of IFRS 9. As at December 31, 2025 and 2024, the Company has not recorded any impairment loss on these balances as the identified impairment loss was immaterial.

Further, there is no receivable from National Air Services – NAS Holding Company and as such as at December 31, 2025 ,this balance includes a provision of SAR Nil. (December 31, 2024: SAR 14 million)

30.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation**.**

The table below summarizes the undiscounted maturities of the Company's financial liabilities based on contractual payment dates. Balances due within 12 months for Trade and other payables (excluding taxes) and Loans equal their carrying balances, because the impact of discounting is not significant.

As at December 31, 2025	**Up to 1 year**	**1 to 4 years**	**More than 4 years**	**Total**
Trade and other payables	**1,532,823,635**	**130,316,621**	**-**	**1,663,140,256**
Lease liabilities	**1,039,982,124**	**4,232,291,542**	**3,468,321,683**	**8,740,595,349**
Loans	**511,782,158**	**917,918,646**	**315,590,465**	**1,745,291,269**
	3,084,587,917	**5,280,526,809**	**3,783,912,148**	**12,149,026,874**

As at December 31, 2024	Up to 1 year	1 to 4 years	More than 4 years	Total
Trade and other payables	1,382,281,745	-	-	1,382,281,745
Lease liabilities	677,076,166	3,983,889,161	3,327,848,374	7,988,813,701
Loans	324,487,500	106,304,805	-	430,792,305
	2,383,845,411	4,090,193,966	3,327,848,374	9,801,887,751

Net debt

	Note	**2025**	2024
Loans	19	**1,484,192,963**	425,231,250
Lease liabilities	16	**5,990,225,229**	5,813,463,597
Less: Cash and cash equivalents	12	**(4,142,981,409)**	(1,700,326,378)
Net debt		**3,331,436,783**	4,538,368,469

30 Risk management of financial instruments (continued)

30.2 Liquidity risk (continued)

Net debt reconciliation:

	Assets	Liabilities from financing activities		
	Cash and cash equivalents	**Loans**	**Lease liabilities**	**Net debt**
Net debt at January 1, 2024	1,450,488,399	844,718,750	5,525,049,866	4,919,280,217
Financing cash flows	249,837,979	(419,487,500)	(453,975,655)	(1,123,301,134)
New leases	-	-	708,192,768	708,192,768
Modifications	-	-	34,196,618	34,196,618
Interest expense	-	44,123,456	417,889,088	462,012,544
Interest payments	-	(44,123,456)	(417,889,088)	(462,012,544)
Net debt at December 31, 2024	1,700,326,378	425,231,250	5,813,463,597	4,538,368,469
Net debt at January 1, 2025	**1,700,326,378**	**425,231,250**	**5,813,463,597**	**4,538,368,469**
Financing cash flows	**2,442,655,031**	**(562,563,117)**	**(781,838,483)**	**(3,787,056,631)**
Addition	**-**	**1,623,000,000**	**1,197,426,890**	**2,820,426,890**
Termination	**-**	**-**	**(238,826,775)**	**(238,826,775)**
Interest expense	**-**	**97,206,024**	**370,256,417**	**467,462,441**
Interest payments	**-**	**(98,681,194)**	**(370,256,417)**	**(468,937,611)**
Net debt at December 31, 2025	**4,142,981,409**	**1,484,192,963**	**5,990,225,229**	**3,331,436,783**

30.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. While optimizing the return. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises currency risk, interest rate risk and price risk.

One of the key cost components of the Company's operations is jet fuel. Jet fuel prices are subject to significant volatility as a result of a wide range of economic, geopolitical and market-related factors that the Company can neither control nor reliably predict.

The Company may enter into commodity derivatives to manage fuel price risk. Where such derivatives are entered into, and are not designated in hedge relationships, they are accounted for at fair value through profit or loss in accordance with Note 3.4.4. The Company continues to analyze its fuel risk exposure on a regular basis and reassesses the source of its suppliers and renegotiates rates at terms favorable to the Company.

The following table demonstrates the sensitivity of the statement of profit or loss to a reasonably possible change in fuel prices, with all other variables held constant.

	Effect on total comprehensive income for the year ended	
	2025	2024
Increase / (decrease) in fuel prices		
+5%	**(85,091,323)**	(85,881,743)
-5%	**85,091,323**	85,881,743

30 Risk management of financial instruments (continued)

30.3 Market risk (continued)

Subsequent to the reporting period, fuel prices have increased significantly due to heightened geopolitical tensions and regional conflicts. Continued increases in fuel prices or disruptions in adequate fuel supply, including those arising from prolonged hostilities in the Middle East, disruptions to energy supply routes, or production suspensions by major producers, may adversely affect the Company's operating costs, financial performance and cash flows in future periods. Also refer Note 36.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company uses foreign currencies, mainly US Dollar and Euro. The Company is not exposed to significant currency risk as the Saudi Riyal is pegged to the US Dollar and transactions denominated in other currencies are not considered to represent significant currency risk. In addition, the Company holds a cash balance with its branch in Algeria which is subject to foreign exchange regulations and administrative procedures that may restrict or delay repatriation of funds; however, management does not expect these restrictions to have a material adverse effect on the Company's liquidity or ability to meet its obligations.

The Company operates in certain countries where foreign exchange controls or administrative procedures may delay the repatriation of funds. While these environments can extend the timing of transfers, The Company actively monitors exposures and regularly repatriates surplus balances to the Kingdom of Saudi Arabia in the normal course of business. As at December 31, 2025, cash and cash equivalents include SAR 131.8 million (2024: SAR 54.1 million) held in jurisdictions that apply such controls, primarily related to operations in Bangladesh and Algeria. These balances continue to be utilized to support local operating requirements until repatriation is completed and the management has an active recent history of repatriation on these funds.

Interest rate risk

Interest rate risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The changes in interest rates effect either the fair value or future cash flows of financial instruments issued at either at fixed or variable rates. The Company mainly faces its interest rates risk arising on its interest-bearing liabilities such as borrowings and lease liabilities and interest earning bank deposits.

The Company has borrowings issued at variable interest rates which exposes the Company to cash flow interest risks. The Company does not hedge its exposure to interest rate risk. However, the Company analyzes its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favorable to the Company. As at December 31, 2025 and 2024, the exposure arising from the cash flow interest rate risk is considered to be immaterial.

The Company has lease liabilities and interest earning bank deposits which exposes the Company to fair value interest rates. Management monitors on a periodic basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. As at December 31, 2025 and 2024 the exposure arising from the fair value interest rate risk is considered to be immaterial.

Price risk

The Company does not have any price sensitive instruments as a result of which the Company is not exposed to any price risk.

30.4 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financed by equity and loans from various lenders.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

30 Risk management of financial instruments (continued)

30.4 Capital Management (continued)

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as lease liabilities and borrowings as shown in the statement of financial position, less cash and cash equivalents and bank deposits. Total capital is calculated as equity as shown in the statement of financial position plus net debt. The Company strategy is to maintain a gearing ratio within a range of 45% to 90%. The gearing ratios at December 31, 2025 and 2024 were as follows:

	December 31, 2025	December 31, 2024
Loans	**1,484,192,963**	425,231,250
Lease liabilities	**5,990,225,229**	5,813,463,597
Less: Cash and cash equivalents and bank deposits	**(4,199,231,409)**	(1,756,576,378)
Net debt (A)	**3,275,186,783**	4,482,118,469
Shareholders' equity (B)	**3,549,765,866**	1,643,046,259
Total capital (A+B)	**6,824,952,649**	6,125,164,728
Gearing ratio (A / (A+B))	**48%**	73%

31 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements. Related parties represent shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties.

31.1 Transactions and balances with Key Management Personnel

For the purposes of the disclosure requirements of IAS 24 Related Party Disclosures, the term 'key management personnel' include those persons having the authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any director of the Company.

	2025	2024
Transactions		
Short-term employee benefits	**1,007,416,725**	46,823,732
Retirement benefits	**2,517,321**	1,654,950
	1,009,934,045	48,478,682

Compensation of the Company's key management personnel includes salaries, share based payment expenses, non-cash benefits and contributions to a post-employment defined benefit plan. The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

31.2 Related party transactions

There are no material related party transactions to be disclosed for the year ended December 31, 2025 and year ended December 31, 2024.

Effective May 14, 2024, the ownership of the Company changed, therefore previously disclosed related party relationships with the previous Parent and entities under common control are no longer applicable (refer to Note 14).

31.3 Related party balances

The amounts due from and to related parties are unsecured, interest free and settled in cash. As at December 31, 2025 and December 31, 2024, there are no related party balances.

Effective May 14, 2024, the ownership of the Company changed, therefore previously disclosed related party relationships with the previous Parent and entities under common control are no longer applicable (refer to Note 14).

32 Dividend

There was no dividend declared during the current or prior year.

33 New and amended standards and interpretations

33.1 New accounting standards and interpretations effective during the year

The Company has applied the following amendment for the first time for its annual reporting period commencing 1 January 2025:

- Amendments to IAS 21 - Lack of Exchangeability: An entity is impacted by the amendment when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The amendment listed above did not have any material impact and is not expected to significantly affect the current or future periods.

33.2 New accounting standards, amendments and interpretations not yet adopted by the Company

Certain new standards and amendments to accounting standards have been published that are not mandatory for periods commencing 1st January 2025 reporting periods and have not been early adopted by the Company. Included within new standards and amendments is IFRS 18 - Presentation and Disclosure in Financial Statements ("IFRS 18").

IFRS 18 Presentation and Disclosure in Financial Statements will change how the Company presents performance rather than what it recognises or measures. From 1 January 2027, the statement of profit or loss will be restructured to present revenue and expenses within operating, investing and financing categories, and introduce the IFRS-specified subtotals 'operating profit or loss' and 'profit or loss before financing and zakat'.

For the Company, the operating category will comprise passenger and ancillary revenues and the related operating cost base (including fuel, navigation and airport charges, aircraft maintenance, crew and other operating overheads). Interest on borrowings and on lease liabilities will be presented in the financing category. The Company will also consider adding a note for management-defined performance measures (MPMs), reconciling each MPM to the nearest IFRS subtotal and disclosing the zakat effect of each reconciling item. Activity ratios such as Revenue per Available Seat Kilometer (RASK)/ Cost per Available Seat Kilometer (CASK) are not MPMs under IFRS 18 and will continue to be presented outside that note.

As a consequential change to the cash flow statement, when using the indirect method the starting point will become 'operating profit or loss'; the Company will also reassess labels and the aggregation/disaggregation of items across the primary statements and notes to improve clarity and comparability.

The Company will adopt IFRS 18 from its mandatory effective date of January 1, 2027 with retrospective application. Accordingly, the comparative information for the year ended December 31, 2026 will be restated and the financial statements will include the required reconciliations between the line items presented under IAS 1 and those presented under IFRS 18 for the immediately preceding comparative period (including interims). At this stage, based on our assessment to date, the management does not expect recognition or measurement changes; the impact is expected to be presentation and disclosure-related, including the introduction of the MPM note and the new subtotals.

34 Earnings per share

	2025	2024
Net (loss) / profit for the year	**(526,999,611)**	433,509,594
Total number of ordinary shares	**170,851,983**	153,425,000
Treasury shares	**-**	(8,320,237)
Weighted average number of ordinary shares for the purpose of basic / diluted Earnings per share	**163,546,974**	145,104,763
(Loss) / earnings per share (SAR)		
- Basic	**(3.22)**	2.99
- Diluted	**(3.22)**	2.99

Basic earnings per share for the year ended December 31, 2025 was calculated by dividing the net loss / profit attributable to equity holders by the weighted average number of ordinary shares outstanding during the respective periods, in accordance with IAS 33 - Earnings per Share.

34 Earnings per share (continued)

For the year ended December 31, 2025:

- 153,425,000 shares were outstanding from January 1, to June 2, 2025; and
- 170,851,983 shares were outstanding from June 3 to December 31, 2025, reflecting the new shares issued in connection with the IPO.

The weighted average number of shares for this period was approximately 163,546,974 shares.

During the year ended December 31, 2024, as part of the transaction where the previous parent entity (NAS Holding) distributed its shares in the Company to its shareholders, a portion of shares it held in the Company were contributed to the Company at no cost rather than being distributed. These shares were classified as treasury shares, resulting in a retrospective adjustment to the weighted average number of shares used in calculating earnings per share as there was no change in resources as a result of this transaction.

Accordingly, the earnings per share calculations for both the current year and the comparative prior year have been retrospectively adjusted to reflect the impact of these treasury shares.

35 Climate change impact

In preparing the financial statements, the Company has considered the impact of climate change, particularly in the context of the Kingdom's stated target of net zero carbon emissions by 2060. These considerations did not have a material impact on the financial reporting judgements and estimates in the current year. This reflects the conclusion that climate change is not expected to have a significant impact on the Company's short-term cash flows including those considered in the going concern and viability assessments.

The Company operates a fleet of modern and efficient Airbus A320-family Aircraft (New Engine Option technology). The "neo"-type aircraft (both A320 and A321 variants), are Airbus' new generation of narrow-body aircraft, replacing the "ceo"-type (Current Engine Option) variants of the same model. Equipped with CFM International's LEAP-1A engines, these new generation aircraft have at least a 15% proven fuel-burn efficiency over their previous generation aircraft and a 50% lower noise footprint during take-off and landing. The management strongly believes that this will have a positive impact in reducing the carbon footprint of the Company.

36 Subsequent events

After 31 December 2025, the Company entered into a non-binding term sheet with the Syrian Civil Aviation Authority to explore forming a joint venture to establish and operate an airline in Syria under the Flynas brand. The term sheet sets out preliminary commercial and operational principles and remains subject to due diligence, negotiation of definitive agreements and receipt of required regulatory approvals. As at 31 December 2025, no binding agreement had been executed and no conditions existed that would require adjustment to these financial statements. The potential financial impact will be accounted for in future periods.

Further, subsequent to the reporting period, several civil aviation authorities in the Middle East have issued directives for the temporary closure or restriction of airspace following heightened regional security developments. These measures have resulted in widespread flight cancellations, rerouting, and operational delays across the region. Public advisories indicate full or partial airspace closures affecting certain Middle Eastern countries, with major Gulf hubs (Dubai, Abu Dhabi, and Doha) temporarily suspending or significantly limiting operations. Airlines, including Saudi carriers, have announced targeted route cancellations and schedule adjustments during this period.

In light of these government measures, the Company's regional operations have been disrupted on certain routes, and the situation remains uncertain as at the date of authorisation of these financial statements. The potential financial impact, if any, cannot be reliably estimated at the date of authorisation of these financial statements.

No other subsequent event has been identified for the year ended 31 December 2025.

37 Date of authorization

These financial statements were authorized for issuance on March 9, 2026 by the Board of Directors of the Company.