

**Air Arabia PJSC  
and its subsidiaries**

Consolidated Financial Statements  
For the year ended December 31, 2025

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Consolidated Financial Statements  
For the year ended December 31, 2025**

**Table of contents**

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	<b>Page(s)</b>
Directors' Report	1
Independent Auditor's Report	2 – 7
Consolidated statement of financial position	8
Consolidated statement of profit or loss	9
Consolidated statement of comprehensive income	10
Consolidated statement of changes in equity	11 – 12
Consolidated statement of cash flows	13
Notes to the consolidated financial statements	15 – 65

## Directors' Report 2025

2025 has been strongest ever year for Air Arabia Group, marked by significant expansion and an increased footprint across all key markets. Building on our strong foundation, we have continued to achieve remarkable financial and operational growth, reaffirming the strength of our business model, the resilience of our management team, and the effectiveness of our strategic vision.

Air Arabia continued its strong performance in 2025, reflected in solid growth across revenue, profitability, route network and passenger numbers. The group's pre-tax net profit was a record of AED 1.83 billion, and revenues surpassed AED 7.78 billion for the first time. The group has added 30 routes across the six hubs of operations. Passenger numbers rose by 16%, as the group carried 21.8 million passengers across its hubs while average seat load factor for the year was a record high 85%.

This strong performance for the full year 2025 was achieved amidst significant inflationary and supply chain challenges that the aviation industry continues to witness, as well as substantial geopolitical tensions regionally. Despite these challenges, we remained disciplined and focused on operational efficiency, business flexibility, and delivering exceptional value to our customers. This unwavering commitment enabled us to expand our customer base, strengthen our presence across key markets, and generate sustainable long-term value for you, our shareholders.

Having said that, the fourth quarter of the year was remarkable for Air Arabia, with a solid 15% increase in net profit before tax, reaching AED 405 million during the quarter, and over 5.8 million passengers carried across all operating hubs. We managed to successfully expand our network while maintaining solid margins. This strategic growth, coupled with rigid cost control and strong operational efficiency, resulted in an outstanding performance for the quarter.

As the global aviation industry continues to navigate challenges, including geopolitical tensions, inflationary pressures, and supply chain disruptions, Air Arabia remains committed to growth and expansion. Our focus is on enhancing connectivity, increasing operational capacity, and providing our customers with the best options for affordable and value-driven air travel. We have full confidence in our unique business model, operational excellence, and customer-centric approach, which enable us to continuously expand our network and deliver a seamless travel experience to an ever-growing customer base.

Chairman



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## Independent auditors' report

### To the Shareholders of Air Arabia PJSC

#### Report on the Audit of the Consolidated Financial Statements

##### Opinion

We have audited the consolidated financial statements of Air Arabia PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in the United Arab Emirates. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 13 February 2025.

##### Key Audit Matters

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

## Key Audit Matters (continued)

Revenue Recognition	
See Note 28 to the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>The Group derives revenue from a range of activities, including the sale of passenger airline seats, cargo and baggage capacity, various ancillary services.</p> <p>Passenger tickets are issued under various fare structures, each governed by specific conditions of sale.</p> <p>The determination of the revenue to be recognised for each flight requires complex IT systems and involves the exchange of information with industry systems and other airlines for a high volume of transactions.</p> <p>Revenue generated from passenger and cargo services is initially deferred and recognised as a liability within the consolidated statement of financial position. It is subsequently recognised in the consolidated statement of profit or loss when the corresponding service has been rendered.</p> <p>This revenue recognition methodology requires the Group to exercise significant judgment in determining the appropriate timing for recognising revenue associated with services that remain unavailed, particularly in circumstances where tickets are not utilised by the anticipated date of travel. The estimation of these amounts necessitates the use of assumptions that are informed by historical trends, observable customer behaviour, and contractual provisions.</p> <p>The accounting for revenue is further exposed to the risk of management override of internal controls. This risk may arise through the use of manual journal entries, the deliberate manipulation of inputs within revenue systems, or the overriding of information technology controls.</p> <p>In light of these considerations, together with the heightened risk profile associated with the audit of the Group revenue streams, revenue recognition has been identified as a key audit matter.</p>	<p>Our procedures included, amongst others, those described below:</p> <ul style="list-style-type: none"> <li>- We evaluated the Group's overall control environment, as well as the application controls embedded within the systems that support the various revenue streams by involving our IT specialists. Our procedures included assessing whether the Group's revenue related controls were appropriately designed and effectively implemented to ensure that these systems accurately captured all relevant information, including the date of sale, the date on which services were provided to customers, and the corresponding amounts;</li> <li>- We assessed the appropriateness of the Group's accounting policy in relation to the recognition of revenue, and performed audit procedures to test that these policies were appropriately applied to passenger and cargo related services and that the revenue recognition reflected the timing of the rendering of these services to customers;</li> <li>- We assessed the appropriateness of the Group's accounting policy relating to the recognition of revenue for tickets that have expired and remain unutilized;</li> <li>- For passenger revenue, we performed analytical procedures through developing expectations by comparing passenger revenue recognised in 2025 with that recognised in 2024, and investigating variances by obtaining an understanding of the underlying drivers, with reference to the key performance indicators relevant to both 2025 and 2024;</li> <li>- We performed substantive audit procedures including test of details over a sample of passenger and cargo revenue booked during the year by various agents and recognized by the Group to obtain further audit evidence and to corroborate the conclusions reached from the procedures described above;</li> <li>- We tested manual journal entries posted into relevant revenue accounts; and</li> <li>- We evaluated the adequacy and appropriateness of the Group's disclosures related to revenue recognition presented in the consolidated financial statements.</li> </ul>

## Key Audit Matters (continued)

Provision for maintenance	
<p>See Note 22 to the consolidated financial statements.</p>	
<p>The financial statements reflect liabilities for aircraft related maintenance amounting to AED 1,876 million as at 31 December 2025, as disclosed in Note 22 to the consolidated financial statements.</p> <p>In measuring these obligations, the Group assesses the expected timing and cost of major engine inspections, airframe checks and component overhauls, taking into account to date and projected aircraft utilisation in terms of flight hours and cycles, and the remaining life of major components such as landing gear, life limited parts and auxiliary power units. The estimates also require the Group to consider the cost of meeting the contractual maintenance conditions at the expected dates of returning leased aircraft.</p> <p>These assessments require specialised technical input and involve forward looking assumptions. Given the complexity of the underlying estimates, the reliance on technical and operational data, and the magnitude of the associated liabilities, this area involves a high degree of estimation and judgment. Accordingly, we determined the accounting for maintenance to be a key audit matter.</p>	<p>Our procedures included, amongst others, those described below:</p> <ul style="list-style-type: none"> <li>- We evaluated the design and implementation of the Group's relevant controls over the maintenance provisioning process to assess whether they were operating effectively;</li> <li>- We made enquiries of management to determine whether any new lease agreements or maintenance contracts had been entered into during the year and assessed whether such arrangements had been appropriately reflected in the recognition and measurement of maintenance liabilities on a sample basis;</li> <li>- We tested the completeness of maintenance provision by ensuring that all significant maintenance obligations included in aircraft and engine lease contracts were included in the model;</li> <li>- For maintenance costs incurred under flying hour agreements, we assessed whether expenses were recognised in accordance with the contractual rates and tested a sample of flying hours by vouching the data to the Group's operational systems to evaluate the accuracy of the amounts recognized;</li> <li>- We evaluated the appropriateness and reasonableness of the cost drivers and underlying assumptions used by management in estimating the major categories of maintenance accruals, with reference to historical trends, technical requirements and contractual terms;</li> <li>- We examined the utilisation of maintenance accruals during the year by inspecting supporting documentation maintenance activities to assess whether changes to the accruals were appropriate and the accuracy of the Group's accruing process;</li> <li>- We analysed the key drivers of movements in the maintenance accrual balance at year end and assessed whether the changes were supported by underlying operational data, completed maintenance events, or updates to management's estimates; and</li> <li>- We performed substantive audit procedures, including assessment of estimated future maintenance costs against historical actual costs incurred and existing long term maintenance agreements.</li> </ul>

## Other Information

Management is responsible for the other information. The other information comprises the *Directors' Report but does not include the consolidated financial statements and our auditors' report thereon*, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements.

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

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, as amended and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Group's financial reporting process.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

### **Report on Other Legal and Regulatory Requirements**

Further, as required by the UAE Federal Decree Law No. 32 of 2021, as amended, we report that for the year ended 31 December 2025:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, as amended;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Group;
- v) as disclosed in note 1 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2025;

## Report on Other Legal and Regulatory Requirements (continued)

- vi) note 15 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2025 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, as amended, or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2025.

KPMG Lower Gulf Limited – SHJ BR



Avtar Jalif  
Registration No.: 5413  
Sharjah, United Arab Emirates

Date: 13 February 2026

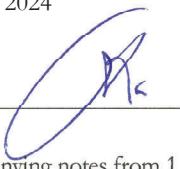
**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Consolidated statement of financial position**  
**As at December 31, 2025**

	Notes	2025 AED'000	2024 * Restated AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	5,790,022	4,661,664
Right-of-use assets	6	852,577	784,706
Advance for new aircraft	7	2,028,265	1,262,605
Investment property	8	277,090	244,734
Net investment in lease	14	334,666	172,078
Intangible assets	9	1,362,497	1,350,270
Deferred charges	10	9,253	14,230
Investments at fair value through other comprehensive income	11	457,528	420,366
Investments in associates and joint ventures	12	363,386	226,404
Trade and other receivables	14	31,349	27,118
		<b>11,506,633</b>	<b>9,164,175</b>
<b>Current assets</b>			
Inventories		97,042	53,456
Trade and other receivables	14	896,388	824,296
Fixed deposits	17	4,126,040	4,619,288
Cash and cash equivalents	16	1,072,692	700,229
		<b>6,192,162</b>	<b>6,197,269</b>
		<b>17,698,795</b>	<b>15,361,444</b>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
Share capital	18	4,666,700	4,666,700
Statutory reserve	19	1,202,225	1,050,306
General reserve	20	641,223	489,304
Other reserves		(49,011)	(45,785)
Retained earnings		<b>1,947,767</b>	<b>1,789,805</b>
<b>Total equity attributable to the owners of the Company</b>		<b>8,408,904</b>	<b>7,950,330</b>
Non-controlling interest		1,287	1,728
<b>Total equity</b>		<b>8,410,191</b>	<b>7,952,058</b>
<b>Non-current liabilities</b>			
Provision for staff termination benefits	21	271,202	239,721
Provision for maintenance	22	1,058,906	1,367,885
Trade and other payables	23	114,461	81,145
Bank borrowings	26	1,121,341	683,168
Lease liabilities	25	1,003,700	793,050
Income tax liabilities	27	62,358	-
		<b>3,631,968</b>	<b>3,164,969</b>
<b>Current liabilities</b>			
Deferred income	28.b	1,100,030	835,350
Provision for maintenance	22	817,418	346,450
Trade and other payables	23	2,932,708	2,295,886
Bank borrowings	26	393,727	375,997
Lease liabilities	25	262,667	249,226
Current income tax liabilities	27	150,086	141,508
		<b>5,656,636</b>	<b>4,244,417</b>
<b>Total liabilities</b>		<b>9,288,604</b>	<b>7,409,386</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,698,795</b>	<b>15,361,444</b>

These consolidated financial statements were approved and authorised for issue by the Board of Directors on February 12, 2026 and signed on their behalf by: \*Refer to note 43 which includes consolidated statement of financial position as at 01 January 2024

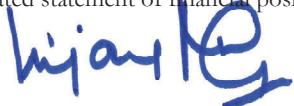
*Chairman*



*Chief Executive Officer*



*Director of Finance*



The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Consolidated statement of profit or loss**  
**For the year ended December 31, 2025**

	Notes	2025 AED'000	2024 Restated AED'000
Revenue	28	<b>7,787,581</b>	6,765,852
Direct operating costs	29	<b>(6,088,132)</b>	(5,202,944)
<b>GROSS PROFIT</b>		<b>1,699,449</b>	1,562,908
General and administrative expenses	30	(316,264)	(274,965)
Selling and marketing expenses	31	(113,605)	(103,843)
Finance income		<b>240,774</b>	250,698
Finance costs		<b>(66,672)</b>	(82,092)
Share of profit/(loss) on investments in associates and joint ventures	12	<b>189,975</b>	124,752
Other income	32	<b>197,132</b>	131,680
<b>PROFIT BEFORE TAX</b>		<b>1,830,789</b>	1,609,138
Income tax expense	27	<b>(202,054)</b>	(141,508)
<b>PROFIT FOR THE YEAR</b>		<b>1,628,735</b>	1,467,630
<hr/>			
<i>Profit for the year attributable to:</i>			
Owners of the Company		<b>1,628,475</b>	1,466,986
Non-controlling interest		<b>260</b>	644
		<b>1,628,735</b>	1,467,630
<b>Basic and diluted earnings per share (AED)</b>	33	<b>0.35</b>	0.31

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Consolidated statement of comprehensive income**  
**For the year ended December 31, 2025**

	Note	2025 AED'000	2024 Restated AED'000
Profit for the year		<b>1,628,735</b>	1,467,630
<b>Other comprehensive loss</b>			
<i>Items that will never be reclassified subsequently to profit or loss:</i>			
Change in fair value of investments at fair value through other comprehensive income	11	<b>14,286</b>	(5,326)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Cash flow hedge		<b>(17,512)</b>	(111,996)
Effective portion of changes in fair value			
<b>Total other comprehensive loss for the year</b>		<b>(3,226)</b>	(117,322)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		<b>1,625,509</b>	1,350,308
		2025 AED'000	2024 AED'000
<i>Total comprehensive income for the year attributable to:</i>			
Owners of the Company		<b>1,624,865</b>	1,349,664
Non-controlling interest		<b>260</b>	644
		<b>1,625,125</b>	1,350,308

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Consolidated statement of changes in equity**  
**For the year ended December 31, 2025**

	Attributable to the Owners of the Company								
			Other reserves						
	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Cumulative change in FVOCI AED'000	Cash flow hedge reserve AED'000	Retained earnings AED'000	Total equity AED'000	Non-controlling interest AED'000	Total equity AED'000
<b>2025</b>									
As at January 1, 2025	<b>4,666,700</b>	<b>1,050,306</b>	<b>489,304</b>	<b>6,538</b>	<b>(52,323)</b>	<b>1,789,805</b>	<b>7,950,330</b>	<b>1,728</b>	<b>7,952,058</b>
Profit for the year	-	-	-	-	-	1,628,475	1,628,475	260	1,628,735
Other comprehensive loss for the year	-	-	-	-	14,286	(17,512)	-	(3,226)	- (3,226)
<b>Total comprehensive income for the year</b>	-	-	-	14,286	(17,512)	1,628,475	1,625,249	260	1,625,509
Transfers to reserves	-	151,919	151,919	-	-	(303,838)	-	-	-
<i>Transactions with owners</i>									
Dividends declared (Note 17)	-	-	-	-	-	- (1,166,675)	(1,166,675)	(701)	(1,167,376)
<b>As at December 31, 2025</b>	<b>4,666,700</b>	<b>1,202,225</b>	<b>641,223</b>	<b>20,824</b>	<b>(69,835)</b>	<b>1,947,767</b>	<b>8,408,904</b>	<b>1,287</b>	<b>8,410,191</b>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Consolidated statement of changes in equity (continued)**  
**For the year ended December 31, 2025**

	Attributable to the Owners of the Company								
	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Other reserves		Retained earnings AED'000	Total equity AED'000	Non- controlling interest AED'000	Total equity AED'000
				Cumulative change in FVOCI AED'000	Cash flow hedge reserve AED'000				
2024									
As at January 1, 2024	4,666,700	912,152	351,150	11,864	59,673	1,532,467	7,534,006	1,084	7,535,090
Profit for the year	-	-	-	-	-	1,466,986	1,466,986	644	1,467,630
Other comprehensive loss for the year	-	-	-	(5,326)	(111,996)	-	(117,322)	-	(117,322)
Total comprehensive income for the year	-	-	-	(5,326)	(111,996)	1,466,986	1,349,664	644	1,350,308
Transfers to reserves	-	138,154	138,154	-	-	(276,308)	-	-	-
<i>Transactions with owners</i>									
Dividends declared (Note 17)	-	-	-	-	-	(933,340)	(933,340)	-	(933,340)
As at December 31, 2024	<b>4,666,700</b>	<b>1,050,306</b>	<b>489,304</b>	<b>6,538</b>	<b>(52,323)</b>	<b>1,789,805</b>	<b>7,950,330</b>	<b>1,728</b>	<b>7,952,058</b>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Consolidated statement of cash flows**  
**For the year ended December 31, 2025**

	Notes	2025 AED'000	2024 Restated AED'000
<b>OPERATING ACTIVITIES</b>			
Net profit for the year before tax		1,830,789	1,609,138
<i>Adjustments to reconcile profit to net cash flows:</i>			
Depreciation and amortization	5,6,9,10	621,798	648,588
Foreign exchange gain		(30,795)	(3,901)
Share of profit on investments in associates and joint ventures	12	(189,975)	(124,752)
Provision for staff terminal benefits	21	49,754	42,016
Ineffective portion of derivative financial instruments		72,412	5,307
Dividend from investment at fair value through other comprehensive income		(410)	(117)
Allowance for expected credit losses for trade and other receivables	30	466	1,644
Finance income		(240,774)	(250,698)
Finance costs		66,672	82,092
Operating cash flows before changes in working capital		2,179,937	2,009,317
<i>Changes in working capital:</i>			
Inventories		(43,586)	(4,737)
Trade and other receivables		(132,741)	12,575
Trade and other payables		578,893	40,758
Provision for maintenance		161,989	(80,700)
Deferred income		264,680	311,948
<b>Cash from operations</b>		3,009,172	2,289,161
Staff terminal benefits paid	21	(18,273)	(10,470)
Taxes paid		(130,498)	-
<b>Net cash flows from operating activities</b>		2,860,401	2,278,691
<b>INVESTING ACTIVITIES</b>			
Additional investment in joint ventures	12	(26,956)	(3,828)
Acquisition of property and equipment	5	(1,387,154)	(203,935)
Additions to investment property	8	(32,356)	(79,333)
Payments in relation to advances for new aircrafts	7	(940,449)	(375,719)
Dividends received from investments in associates and joint ventures	12	79,949	108,034
Dividend received from investment measured at fair value through other comprehensive income		410	117
Proceeds from net investment in lease		154,156	38,128
Payments in relation to purchase of investments at fair value through OCI	11	(21,528)	(195,360)
Acquisition of intangible assets	9	(18,282)	(9,349)
Change in fixed deposits		493,248	(635,219)
Finance income received		237,235	247,542
<b>Net cash flows used in investing activities</b>		(1,461,727)	(1,108,922)
<b>FINANCING ACTIVITIES</b>			
Dividends paid to Owners of the Company	18	(1,167,376)	(933,340)
Payments of finance lease liabilities	25	(248,066)	(198,050)
Interest on payment of lease liabilities	25	(31,530)	(23,881)
Bank borrowings taken during the year	26	849,572	-
Bank borrowings repaid during the year	26	(393,669)	(518,366)
Finance costs paid		(35,142)	(58,211)
<b>Net cash flows used in financing activities</b>		(1,026,211)	(1,731,848)
<b>Net change in cash and cash equivalents</b>		372,463	(562,079)
Cash and cash equivalents at the beginning of the year		700,229	1,262,308
<b>Cash and cash equivalents at the end of the year</b>	16	1,072,692	700,229

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements**  
**For the year ended December 31, 2025**

**1 Legal status and principal activities**

Air Arabia PJSC (the “Company”) was incorporated on June 19, 2007 as a Public Joint Stock Company. The Company operates in the United Arab Emirates under a trade license issued by the Economic Development Department of the Government of Sharjah and Air Operator’s Certificate Number AC 2 issued by the General Civil Aviation Authority, United Arab Emirates.

The Company’s ordinary shares are listed on the Dubai Financial Market, United Arab Emirates. The registered office address is P.O. Box 132, Sharjah, United Arab Emirates.

The consolidated financial statements for the year ended December 31, 2025 include the consolidated financial performance and position of the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The licensed activities of the Group are international commercial air transportation, aircraft trading, aircraft rental, aircraft spare parts trading, travel and tourist agencies, commercial brokerage, hotels, hotel apartment rentals, airline companies’ representative office, passengers transport, cargo services, air cargo agents, documents transfer services, aviation training and aircraft repairs and maintenance.

The details of the Group’s ownership in its various subsidiaries, joint ventures and associates and their principal activities are as follows:

<b>Name</b>	<b>Beneficial ownership interest</b>		<b>Country of operation and ownership</b>	<b>Principal activities</b>
	<b>2025</b>	<b>2024</b>		
<b><i>Subsidiaries</i></b>				
International Business Company (FZE)	<b>100%</b>	100%	United Arab Emirates	Dealing in International Business and shares
Air Arabia Holidays L.L.C	<b>100%</b>	100%	United Arab Emirates	Tour operations
Information System Associates FZE	<b>100%</b>	100%	United Arab Emirates	IT services to aviation industry
Action Hospitality	<b>100%</b>	100%	United Arab Emirates	Hospitality services, managing and operating restaurants and hotels
COZMO Travel LLC – Sole proprietorship (a)	<b>100%</b>	100%	United Arab Emirates	Travel and tours, tourism and cargo services
Impact Aviation Services Limited	<b>100%</b>	100%	Ireland	Management of lease contracts
Air Arabia Service Center W.L.L (b)	<b>100%</b>	100%	Bahrain	Office administrative and support services, call center and computer programming services
Centro Sharjah Hotel L.L.C.SP (c)	<b>100%</b>	100%	United Arab Emirates	Hotel
Radisson Blu Hotel Apartment – Dubai Marina LLC (c)	<b>100%</b>	100%	United Arab Emirates	Renting hotel apartments
<b><i>Subsidiaries of International Business Company (FZE) (sub-subsidiaries)</i></b>				
Olgana Real Estate Development L.L.C	<b>100%</b>	100%	United Arab Emirates	Real Estate Development
Air Arabia Academy LLC (formerly known as T3 Aviation Academy LLC) (d)	<b>100%</b>	100%	United Arab Emirates	Aviation training services

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**1 Legal status and principal activities (continued)**

Name	Beneficial ownership		Country of operation and Ownership	Principal activities
	2025	2024		
<b><i>Subsidiaries of International Business Company (FZE) (sub-subsidiaries) (continued)</i></b>				
Nexasoft Innovations Private Limited (e)	100%	100%	India	Software designing, development and solutions
Coreops Services Private Limited (e)	100%	100%	India	Backend support solutions
<b><i>Joint ventures</i></b>				
Alpha Flight Services UAE LLC	51%	51%	United Arab Emirates	Flight and retail catering and ancillary services to the Air Arabia PJSC
Sharjah Aviation Services LLC	50%	50%	United Arab Emirates	Aircraft handling, passenger and cargo services at the Sharjah International Airport
Cozmo Travel (CJSC) (“Cozmo Armenia”) (f)	75%	75%	Armenia	Travels and tours, tourism and cargo services
Air Arabia Abu Dhabi L.L.C.	49%	49%	United Arab Emirates	International commercial air transportation
Air Arabia - Egypt Company S.A.E.	49%	40%	Egypt	International commercial air transportation
Fly Jinnah Services (Private) Limited	45%	45%	Pakistan	International commercial air transportation
Armenian National Airlines (CJSC) (“Fly Arna”) (g)	49%	49%	Armenia	International commercial air Transportation
Air Arabia DMM, LLC (h)	49%	-	KSA	International commercial air Transportation
Tune Protection Commercial Brokerage LLC	51%	51%	United Arab Emirates	Commercial brokers
<b><i>Associates</i></b>				
Air Arabia Maroc, S.A.	44.13%	44.13%	Morocco	International commercial air transportation
Air Arabia Jordan LLC (g)	49%	49%	Jordan	International commercial air
a) COZMO Travel LLC - Sole proprietorship controls subsidiaries in Qatar, Kingdom of Saudi Arabia, Kuwait, Bahrain, United Arab Emirates, India, Oman, Jordan and Egypt.				
b) During the year ended December 31, 2024, Air Arabia Service Center W.L.L, a fully owned subsidiary of the Group incorporated in the Kingdom of Bahrain, has become fully operational.				
c) During the year ended December 31, 2024, the legal form of Centro Sharjah Hotel and Radisson Blu Hotel Apartment was changed from sole establishments to limited liability companies.				
d) During the year ended December 31, 2024, the Group has changed the legal name of T3 Aviation Academy LLC to be “Air Arabia Academy LLC”.				
e) During the year ended December 31, 2024, the Group incorporated fully owned subsidiaries named “Nexasoft Innovations Private Limited” and “Coreops Services Private Limited” in India through its wholly owned subsidiary, International Business Company (FZE). The subsidiaries became operational during the year ended December 31, 2025.				
f) The Group suspended the operations of Cozmo Armenia during the year ended December 31, 2024.				
g) As at December 31, 2024, the Group has initiated the process of liquidating its joint ventures Fly Arna and Air Arabia Jordan LLC.				
h) During the year ended December 31, 2025 the Group has entered into a joint venture with Saudi investors to establish an airline in Kingdom of Saudi Arabia “Air Arabia DMM, LLC”, the group has acquired 49% of the new Company shares.				

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**1 Legal status and principal activities (continued)**

*Financial information*

Financial information of the material subsidiaries of the Group as at and for the years ended December 31, 2025 and December 31, 2024, before consolidation adjustments, is as follows.

	<b>COZMO Travel LLC – Sole Proprietorship</b>		<b>Air Arabia Academy LLC (formerly known as T3 Aviation Academy LLC)</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
Non-current assets	14,700	14,625	14,803	6,349
Current assets	301,521	281,588	117,946	97,580
<b>Total Assets</b>	<b>316,221</b>	<b>296,213</b>	<b>132,749</b>	<b>103,929</b>
Non-current liabilities	5,573	5,129	1,315	1,392
Current liabilities	128,541	108,609	97,620	69,556
Equity	182,107	182,476	33,814	32,981
<b>Total Equity and liabilities</b>	<b>316,221</b>	<b>296,213</b>	<b>132,749</b>	<b>103,929</b>
Revenue	48,271	64,533	103,015	88,693
Net profit	24,826	46,693	30,932	30,135
Other comprehensive income	-	-	-	-

**2 Basis of preparation**

**(a) Statement of compliance**

The consolidated financial statements of the Group have been prepared in accordance with the IFRS Accounting Standards as issued by the IASB and applicable requirements of UAE Federal Law by Decree No. 32 of 2021 on Commercial Companies.

**(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and investments measured at fair value through other comprehensive income (FVOCI), which are measured at their fair values.

**(c) Functional and presentation currency**

The consolidated financial statements are presented in Arab Emirates Dirham (“AED”). All values are rounded to the nearest thousands ('000) except, where noted otherwise.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**3 New or revised Standards or Interpretations**

**3.1 New Standards adopted as at January 1, 2025**

Accounting pronouncements which have become effective from January 1, 2025 and have therefore been adopted are as follows:

- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangement
- Amendments to IAS 1 Presentation of financial statements relating to Classification of Liabilities as Current or Non-Current
- Amendments to IAS 1 – Non-current Liabilities with Covenants
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback
- IFRS S1 General Requirements for Disclosure of Sustainability Related Financial Information and IFRS S2 Climate Related Disclosures
- Amendments to IAS 21 – Lack of Exchangeability
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold to an associate or a joint venture (The IASB postponed the effective date of this amendment indefinitely - Early adoption is permitted) ; and
- Amendments to the SASB (Sustainability Accounting Standards Board) standards to enhance their international applicability.

These amendments do not have a significant impact on these consolidated financial statements and therefore the disclosures have not been made.

**3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group**

Other standards and amendments that are not yet effective and have not been adopted early by the Group are as follows:

*Effective for annual reporting periods beginning on or after January 1, 2026:*

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

*Effective for annual reporting periods beginning on or after January 1, 2027:*

- IFRS 18 Presentation and Disclosures in Financial Statements; and
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

The Group is in process of determining the potential effects of implementation of IFRS 18 and IFRS 19 on its consolidated financial statements. Other than the above, these amendments are not expected to have a significant impact on the consolidated financial statements in the period of initial application and therefore the disclosures have not been made.

**4 Material accounting policies**

**Overall considerations**

These consolidated financial statements have been prepared using the measurement bases specified by IFRS Accounting Standards as issued by the IASB for each type of asset, liability, income and expense. The material accounting policies and measurement bases are more fully described below and on the following pages.

# **Air Arabia PJSC and its subsidiaries**

## **Consolidated Financial Statements**

### **Notes to the consolidated financial statements (continued)**

#### **For the year ended December 31, 2025**

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#### **4 Material accounting policies (continued)**

##### **Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in the consolidated statement of comprehensive income.

Non-monetary items are not re-translated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

##### **Foreign operations**

In the consolidated financial statements, all assets, liabilities and transactions of the Group's entities with a functional currency other than the AED (the Group's presentation currency) are translated into AED upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities of foreign operations have been translated into AED at the closing rate prevailing at the reporting date. Income and expenses of foreign operations have been translated into the Group's presentation currency at the average rate over the reporting period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (OCI).

##### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2025. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if and only if the Company has:

- a. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- b. exposure, or rights, to variable returns from its involvement with the investee; and
- c. the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a. The contractual arrangement with the other vote holders of the investee;
- b. Rights arising from other contractual arrangements; and
- c. The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting year as of the Company.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of comprehensive income. Any investment retained is recognised at fair value.

**Business combination and goodwill**

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree.

For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative and general expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in the consolidated statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. Other contingent consideration that is not within the scope of IFRS 9, is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of comprehensive income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstances is measured based on the relative values of the operation disposed of and portion of the cash-generating unit retained.

**Property and equipment**

Property and equipment are initially recognised at cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**4 Material accounting policies (continued)**

**Property and equipment (continued)**

Land granted by the Government of Sharjah and acquired through the acquisition of Radisson Blu Hotel and Resort is not depreciated, as it is deemed to have an infinite life.

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

During the year, the Group changed the estimated useful life applied to certain assets after assessing the period over which the assets are expected to be available for use (refer Note 5 for details).

The useful lives are applied, as follows:

	<b>2025</b>	<b>2024</b>
Buildings	<b>15 – 20 years</b>	15 – 20 years
Aircrafts	<b>20 years</b>	20 years
Aircraft engines	<b>20 years</b>	20 years
Aircraft rotables and equipment	<b>3 – 10 years</b>	3 – 10 years
Airport equipment	<b>3 – 15 years</b>	3 – 15 years
Other property and equipment including engine driven pumps (“EDP”)	<b>3 – 5 years</b>	3 – 5 years

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

***Government grants***

Land granted by the government is recognised at nominal value where there is reasonable assurance that the land will be received and the Group will comply with any attached conditions, where applicable.

**Leases**

The Group has recorded right-of-use assets representing the right to use the underlying assets under property and equipment, net investment in lease representing the net present value of receivables from intermediate lease, and the corresponding lease liabilities to make lease payments under other liabilities.

***The Group as a lessee***

***I. Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Leases (continued)**

Aircrafts	6 - 9 years
Hanger	15 years

Right-of-use assets are also subject to impairment.

**II. Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and is recognised under other liabilities in the consolidated statement of financial position.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rates range from 4 % to 5 % as applicable.

**The Group as a lessor**

**I. Net investments in leases**

Leases in which the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments under the lease agreement, including guaranteed residual value and un-amortised initial direct cost which are included in the consolidated financial statements as “Net investments in leases” within trade and other receivables.

**II. Interest income on net investments in leases**

The Group follows the finance lease method in accounting for recognition of finance lease. The total unearned interest income, i.e. the excess of aggregate instalment contract receivables plus residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, to produce a systematic return on net investments in leases.

**III. The Group as an intermediate lessor**

The Group acts as an intermediate lessor in a transaction for which an underlying asset is re-leased by the Group (“intermediate lessor”) to a third party, and the lease (“head lease”) between the head lessor and Group remains in effect.

The Group classifies the sublease as a finance lease or an operating lease as follows:

- If the head lease is a short-term lease that the entity, as a lessee, has accounted for by recognising the lease payments as an expense on a straight-line basis over the term of the lease, the sublease must be classified as an operating lease;
- Otherwise, the sublease must be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the economic useful life of the underlying asset (such as the item of property and equipment that is the subject of the lease).

**Investment properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequently investment property is carried at cost less accumulated depreciation and impairment loss if any.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Investment properties (continued)**

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

**Properties under construction**

Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

**Intangible assets**

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

The useful lives of intangible assets arising out of the acquisition of Air Arabia LLC in 2007, have been estimated to be indefinite (Note 9).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated impairment losses, on the same basis as intangible assets acquired separately.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the consolidated statement of profit or loss as incurred.

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently when there is indication of impairment. For intangible assets with definite useful lives amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in the consolidated statement of profit or loss. The useful life used in the calculation of amortisation is 5 years.

**Deferred charges**

Deferred charges are amortised on the straight-line method over the estimated period of the benefits.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises invoice price of materials. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Investments in associates and joint ventures (continued)**

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control. The consideration made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the consolidated carrying amount of the investment and goodwill is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates and joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's consolidated statement of other comprehensive income.

In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains/losses resulting from transaction between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and then recognises the loss in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained; only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

**Impairment of non-financial assets**

At the end of the reporting date, the Group reviews the carrying amounts of tangible assets to determine whether there is any indication that those assets have suffered an 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 (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

# Air Arabia PJSC and its subsidiaries

## Consolidated Financial Statements

### Notes to the consolidated financial statements (continued)

#### For the year ended December 31, 2025

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#### **4 Material accounting policies (continued)**

##### **Impairment of non-financial assets (continued)**

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate 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 recognised immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Financial instruments**

##### **Financial assets**

###### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

###### **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets designated at fair value through OCI with recycling of cumulative gains and losses upon derecognition (debt instruments).

###### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

**Subsequent measurement (continued)**

*Financial assets at amortised cost (debt instruments) (continued)*

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and most other receivables, bank balances and cash and other non-current financial assets.

*Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statements of profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

*Financial assets at fair value through OCI (debt instruments)*

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to consolidated statement of profit or loss.

The Group's debt instruments at fair value through OCI includes investments in unquoted debt instruments included under other "*Investments at fair value through other comprehensive income*".

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

**Derecognition (continued)**

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

***Financial liabilities***

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as payables and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include lease liabilities, trade and most other payables, and bank borrowings.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

***Loans and borrowings***

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Financial instruments (continued)**

***Financial liabilities (continued)***

**Subsequent measurement (continued)**

*Loans and borrowings (continued)*

The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

***Offsetting of financial instruments***

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

***Fair value of financial instruments***

The fair value of the financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same; or
- A discounted cash flow analysis or other valuation models.

***Derivative financial instruments***

The management has applied hedge accounting for its derivative financial instruments. The management applies hedge accounting only if all of the following conditions are met:

- There is formal designation and written documentation at the inception of the hedge;
- The effectiveness of the hedging relationship can be measured reliably. This requires the fair value of the hedging instrument, and the fair value or cash flows of the hedged item with respect to the risk being hedged, to be reliably measurable;
- The hedge is expected to be highly effective in achieving fair value or cash flow offsets in accordance with the original documented risk management strategy; and
- The hedge is assessed and determined to be highly effective on an ongoing basis throughout the hedge relationship. A hedge is highly effective if changes in the fair value of the hedging instrument, and changes in the fair value or expected cash flows of the hedged item attributable to the hedged risk.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Derivative financial instruments (continued)**

At inception of the hedge, the management designate hedge either as a cash flow hedge or as a fair value hedge. The designation is done at inception of the hedge. At inception of the hedge, the management establishes formal documentation of the hedge relationship. The method an entity adopts depends on its risk management strategy and hedge accounting systems and practices. The method that will be used in measuring hedge effectiveness is specified in the hedge documentation.

The hedge documentation prepared at inception includes a description of the following:

- Risk management objective and strategy for undertaking the hedge;
- The nature of the risk being hedged;
- Clear identification of the hedged item - the asset, liability, firm commitment or cash flows arising from a forecast transaction - and the hedging instrument; and
- How hedge effectiveness will be assessed both prospectively and retrospectively. The entity describes the method and procedures in sufficient detail to establish a firm and consistent basis for measurement in subsequent periods for the particular hedge.

A hedging relationship meets the hedge effectiveness requirements if there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from the economic relationship and the hedge ratio of the hedging relationship is the same as that resulting from the quantities of the hedged item that the entity actually hedge and the hedging instrument uses to hedge that quantity of hedged item.

Under a cash flow hedge model, the effective portion of the fair value changes of the hedging instrument is recognised in consolidated statement of other comprehensive income (OCI) and the ineffective portion is recognised in the consolidated statement of profit or loss.

In a fair value hedge, any ineffectiveness is automatically recognised in the consolidated statement of comprehensive income because changes in the measurement of both the hedging instrument and the hedged item are reported through the consolidated statement of comprehensive income except if the hedging instrument hedges an equity investment for which the management has elected to present changes in fair value in OCI.

If a hedge no longer is effective, then hedge accounting is discontinued prospectively from the last date on which the hedge was proven to be effective. Hedge accounting is also discontinued when the hedged item or the hedging instrument is derecognised, the criteria are no longer met or upon voluntarily discontinuation.

If the hedging instrument is a derivative, then the hedging instrument is measured at fair value, with the effective portion of changes in its fair value recognised in OCI and presented within equity normally in a hedging reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the consolidated statement of profit or loss.

If hedge accounting is not applied to a derivative instrument that is entered into as an economic hedge, then derivative gains and losses are shown in the consolidated statements of other comprehensive income.

**Provision for staff terminal benefits**

In accordance with applicable Labour Laws in which we operate, the Group is required to provide for End of Service Benefits for certain employees.

The only obligation of the Group with respect to end of service benefits is to make the specified lump-sum payments to employees, which become payable when they leave the Group for reasons other than gross misconduct but may be paid earlier at the discretion of the Group. The amount payable is calculated as a multiple of a pre-defined fraction of basic salary based on the number of full years of service.

To meet the requirement of the laws of the countries in which we operate, a provision is made for the end of service benefits payable to qualifying employees up to the end of the reporting period.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Provision for staff terminal benefits (continued)**

The provision relating to end of service benefits is disclosed as a non-current liability.

The provision has not been subject to a full actuarial valuation or discounted as the impact would not be material.

The actual payment is typically made in the year of cessation of employment of a qualifying employee but may be pre-paid. If the payment is made in the year of cessation of employment, the payment for end of service benefit will be made as a lump-sum along with the full and final settlement of liability to the employee.

Contributions for eligible UAE National employees are made to the Pension Authority, in accordance with the provisions of UAE labour Law No. (7) of 1999 relating to Pension and Social Security and its amendments and charged to the consolidated statement of comprehensive income in the period in which they fall due.

**Aircraft maintenance**

The Group has contracted to transfer the risk and obligations of major repair and overhaul for certain owned aircraft and related assets to third-party service providers. The Group recognizes a charge in the statement of profit and loss for the usage of these aircraft assets based on flight activity in accordance with the terms of these contracts. For aircraft under operating lease agreements where the Group has an obligation to maintain the aircraft, a charge is recognized in the statement of profit and loss for the usage of these aircraft assets based on flight activity in accordance with the terms of these contracts.

For the aircraft under operating lease agreements, wherein the Group has an obligation to maintain the aircraft, accruals are made during the lease term for the obligation based on estimated future costs of major airframe and certain engine maintenance checks by making appropriate charges to the consolidated statement of profit or loss calculated by reference to the number of hours or cycles operated and engineering estimates.

**Deferred income**

Deferred income mainly represents unearned revenue from flight seats sold but not yet flown and will be released to the consolidated statement of profit or loss when passengers are flown or time expired.

**Provisions and contingent liabilities**

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

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. Provisions are discounted to their present values, where the time value of money is material.

**Taxation**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generate taxable income.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Taxation (continued)**

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**Revenue recognition**

*Revenue from contracts with customers*

The Group's revenue primarily derives from transportation services for both passengers and cargo, ticket selling, accommodation income and dividend income. Revenue is recognized when the transportation, tickets or accommodation are provided. The Group considers whether it is an agent or a principal in relation to transportation services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party.

*Rendering of services*

Passenger tickets are generally paid for in advance of transportation and are recognised, net of discounts as deferred revenue on ticket sales in current liabilities until the customer has flown. Unused tickets are recognised as revenue after the contracted date of departure using estimates regarding the timing of recognition based on the terms and conditions of the ticket and statistical analysis of historical trends. Other revenue including maintenance; handling; hotel and holiday and commissions is recognized as the related performance obligation is satisfied over time using an appropriate methodology which reflects the activity that has been undertaken to satisfy the related obligation.

*Hotel revenue*

Income from room hire is recognised on a pro-rata basis over the period of occupancy. Revenue from sale of goods, food and beverages is recognised upon issuance of related sales invoices on delivery to guests and customers.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Revenue recognition (continued)**

*Dividend income*

Dividend from investments is recognised when the Group's right to receive payment has been established.

**Finance income and finance costs**

Finance income mainly comprises interest income on fixed deposits and investments. Interest income is recognised in the consolidated statement of profit or loss as it accrues, using the effective interest rate method.

Finance costs mainly comprises interest expense on bank borrowings and lease liabilities. All borrowing costs are recognised in the consolidated statement of comprehensive income using the effective interest rate method. However, borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

**Operating expenses**

Operating expenses are recognised in the consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

**Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers, who is responsible for resource allocation and assessing performance of the operating segments, are the Board of Directors and the Chief Executive Officer.

**Cash and cash equivalents**

Cash and cash equivalents includes balances held with bank with original maturities of 3 months or less and cash on hand.

**Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent 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 to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 *Material accounting policies (continued)***

**Significant management judgment, estimates and assumptions in applying accounting policies**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

***Control assessment***

The Group reassesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in IFRS 10.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period covered by these consolidated financial statements.

***Impairment of goodwill and intangible assets***

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment and at other times when such indications exist. The impairment calculation requires the use of estimates.

The intangible assets include trade name, landing rights, price benefits from related parties and handling license - Sharjah Aviation Services LLC.

The recoverability of these assets is based on the Group's projected financial performance which are underpinned by a number of assumptions. The carrying amounts of these assets are analysed in Note 9. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

***Impairment of non-financial assets***

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

***Aircraft maintenance costs***

The Group has contracted with a service provider for the maintenance of owned aircraft and related assets. The Group has exercised judgment to conclude that based on these contractual arrangements it has substantially transferred the risks and obligations of such maintenance to the service provider.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Significant management judgment, estimates and assumptions in applying accounting policies (continued)**

*Aircraft maintenance costs (continued)*

Assumptions made in respect of the basis of the accruals are reviewed for all aircraft once a year. In addition, when further information becomes available which could materially change an estimate made, such as a heavy-duty maintenance check taking place, utilisation assumptions changing, or return conditions being re-negotiated, then specific estimates are reviewed immediately, and the accrual is reset accordingly.

*Accrual for aircraft flying costs*

The management accrues for the landing, parking, ground handling, and other charges applicable for each airport in which the Group operates flights on a monthly basis. These estimates are based on the rate of charges applicable to each airport based on the agreements and recent invoices received for the services obtained. Similarly, accruals for overflying charges are estimated based on the agreement entered with each country. Actual charges may differ from the charges accrued and the differences are accounted for, on a prospective basis.

*Estimated useful life and residual value of property and equipment, right-of-use assets and intangible assets*

The Group estimates the useful lives of property and equipment (except land), right-of-use assets and intangible assets based on the period over which the assets are expected to be available for use or the lease term. The estimated useful lives of property and equipment, right-of-use assets and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

*Allowance for expected credit losses for trade receivables and amounts due from related parties*

The expected credit losses are based on assumption about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

*Determining lease terms*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not extend).
- If any leasehold improvements are expected to have a significant remaining value the Group is typically certain to extend (or not extend).
- Otherwise, the Group considers other factors including historical lease durations, costs and business disruption required to replace the leased asset.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**4 Material accounting policies (continued)**

**Significant management judgment, estimates and assumptions in applying accounting policies (continued)**

*Determining lease terms (continued)*

- The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

*Determination of appropriate discount rate in measuring lease liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

*Recognition of revenue*

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognized at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**5 Property and equipment**

2025									Office equipment, furniture, fixtures and	Capital	Total
	Land AED '000	Buildings AED '000	Aircrafts AED '000	Aircraft engines AED '000	Aircraft and equipment AED '000	Airport equipment AED '000	EDP equipment AED '000	motor vehicles AED '000	work-in-progress* AED '000		
<b>Gross carrying amount</b>											
As at January 1, 2025	89,040	698,678	8,589,345	485,767	199,240	18,919	50,385	221,068	84,251	10,436,693	
Additions	-	1,424	944,010	-	63,798	-	11,452	48,421	492,838	1,561,943	
Transfers	-	24,246	-	-	89,444	-	-	11,086	(124,776)	-	
As at December 31, 2025	89,040	724,348	9,533,355	485,767	352,482	18,919	61,837	280,575	452,313	11,998,636	
<b>Accumulated depreciation</b>											
As at January 1, 2025	-	461,388	4,864,171	203,840	82,602	13,548	42,087	107,393	-	5,775,029	
Charge for the year	-	32,920	333,669	19,364	17,716	883	1,500	27,533	-	433,585	
As at December 31, 2025	-	494,308	5,197,840	223,204	100,318	14,431	43,587	134,926	-	6,208,614	
<b>Net carrying amounts as at December 31, 2025</b>											
	<b>89,040</b>	<b>230,040</b>	<b>4,335,515</b>	<b>262,563</b>	<b>252,164</b>	<b>4,488</b>	<b>18,250</b>	<b>172,007</b>	<b>452,313</b>	<b>5,790,022</b>	

\* Capital work-in-progress includes an advance of AED 53.1 million given to a supplier for purchase of engine.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**5 Property and equipment (continued)**

2024	Land AED '000	Buildings AED '000	Aircrafts AED '000	Aircraft engines AED '000	Aircraft and equipment AED '000	Aircraft rotables AED '000	Airport equipment AED '000	EDP equipment AED '000	Office equipment, furniture, fixtures and motor vehicles AED '000	Capital work-in- progress AED '000	Total AED '000
<b>Gross carrying amount</b>											
As at January 1, 2024	89,040	697,618	8,589,345	413,777	173,577	18,919	48,381	185,388	16,713	10,232,758	
Additions	-	271	-	55,295	19,602	-	156	34,758	93,853	203,935	
Transfers	-	789	-	16,695	6,061	-	1,848	922	(26,315)	-	
As at December 31, 2024	89,040	698,678	8,589,345	485,767	199,240	18,919	50,385	221,068	84,251	10,436,693	
<b>Accumulated depreciation</b>											
As at January 1, 2024	-	423,810	4,452,563	185,222	71,196	12,218	39,376	94,260	-	5,278,645	
Charge for the year	-	37,578	411,608	18,618	11,406	1,330	2,711	13,133	-	496,384	
As at December 31, 2024	-	461,388	4,864,171	203,840	82,602	13,548	42,087	107,393	-	5,775,029	
<b>Net carrying amounts as at December 31, 2024</b>											
	89,040	237,290	3,725,174	281,927	116,638	5,371	8,298	113,675	84,251	4,661,664	

The depreciation expense for the year has been allocated as follows:

	2025 AED '000	2024 AED '000
Direct operating costs (Note 29)	393,504	462,951
Administrative and general expenses (Note 30)	40,081	33,433
	<u>433,585</u>	<u>496,384</u>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**5 Property and equipment (continued)**

Buildings include hotel apartments, simulator and staff quarters. Simulator and staff quarters have been constructed on land in Sharjah, granted by the Government of Sharjah.

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

As at December 31, 2025, work in progress represents various capital projects, mainly related to development of hangar, simulator building, business system, applications and building refurbishment amounting to AED 399 million (2024: AED 84.3 million). Capital commitments related to these projects are minimal as at reporting date.

All of the Group's non-movable assets are located in the UAE, except for property and equipment with carrying amount of AED 2.77 million (2024: AED 4.98 million), located outside UAE.

At December 31, 2025, aircrafts with carrying amount of AED 967 million (2024: AED 1.15 billion) are held under lease.

The Group's management conducted an internal assessment of its aircraft assets and considered if there are any impairment indicators such as a deterioration in current or forecast trade activity, the incurrence of losses or other factors indicating that the assets may be impaired. Based on their assessment, the Group's management is of the view that no indicators of impairment arose during 2025 (2024: AED Nil).

***Reassessment of useful lives and residual values during the year ended 31 December 2024***

During the year ended December 31, 2024, the management of the Group conducted a comprehensive review of the useful lives and residual values of its property and equipment in accordance with IAS 16 Property, Plant and Equipment. As a result, with effective from October 1, 2024, the estimated useful lives of Aircrafts were increased from 15 years to 20 years and the related residual values have decreased from 20% to a range of 7% to 8% of the original cost. These changes have been made to better reflect the current pattern of economic benefits derived from these Aircrafts and been treated prospectively as a change in accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The impact of the afore-said change in accounting estimate is quantified as follows:

	<b>AED '000</b>
Impact on net assets	29,307
Impact on net profit after tax	<u>26,669</u>

**6 Right-of-use assets**

Right-of-use assets represent Aircrafts and Hangar obtained on lease (refer to Note 25 for lease liabilities recognised in relation to the right-of-use assets). The carrying amounts of the right-of-use assets and the movements during the year are shown below:

<b>2025</b>	<b>Aircrafts</b>	<b>Hangar</b>	<b>Total</b>
	AED '000	AED '000	AED '000
<b>Gross carrying amount</b>			
As at January 1, 2025			
Additions	1,292,660	16,650	1,309,310
De-recognition of leases	333,102	-	333,102
As at December 31, 2025	<u>(102,014)</u>	<u>-</u>	<u>(102,014)</u>
	<u>1,523,748</u>	<u>16,650</u>	<u>1,540,398</u>
<b>Accumulated depreciation</b>			
As at January 1, 2025	512,461	12,143	524,604
Charge for the year (Note 29)	176,351	830	177,181
De-recognition of leases	(13,964)	-	(13,964)
As at December 31, 2025	<u>674,848</u>	<u>12,973</u>	<u>687,821</u>
<b>Net carrying amounts at December 31, 2025</b>	<b>848,900</b>	<b>3,677</b>	<b>852,577</b>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**6 Right-of-use assets (continued)**

2024	Aircrafts AED '000	Hangar AED '000	Total AED '000
Gross carrying amount			
As at January 1, 2024	940,041	16,650	956,691
Additions	352,619	-	352,619
As at December 31, 2024	<u>1,292,660</u>	<u>16,650</u>	<u>1,309,310</u>
Accumulated depreciation			
As at January 1, 2024	371,150	11,309	382,459
Charge for the year (Note 29)	141,311	834	142,145
As at December 31, 2024	<u>512,461</u>	<u>12,143</u>	<u>524,604</u>
Net carrying amounts at December 31, 2024	<u>780,199</u>	<u>4,507</u>	<u>784,706</u>

**7 Advance for new aircraft**

These represent pre-delivery payments made to suppliers for an amount of AED 2,028.2 million (2024: AED 1,262.6 million) in respect of an order of 120 new aircrafts consisting of A320 and A321 family.

**8 Investment property**

This represents investment property under construction (Varazze Tower, located in Al Safouh First, Dubai, UAE formally known as Olgana Tower, the “Project”) being acquired by Olgana Real Estate Development L.L.C., a subsidiary of the Company. As at reporting date, this property is approximately 99% complete (Sep 2024: 90.35%). The movement in balances during the year is reconciled as follows:

	2025 AED '000	2024 AED '000
Balance as at January 1,	<u>244,734</u>	<u>165,401</u>
Additions during the year	<u>32,356</u>	<u>79,333</u>
	<u><b>277,090</b></u>	<u><b>244,734</b></u>

The Management has estimated no impairment is required to be recognised as there are no indicators of impairment for these investment properties as at December 31, 2025 (2024: AED Nil).

The fair value of the property is determined to be AED 334 million as at December 31, 2025 (2024: AED 315 million). This has been estimated using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property including total area size, location, conditions and percentage of completion. The significant input used for valuation is sales price per square ft, which is observable from market for similar properties.

**9 Intangible assets**

	2025 AED '000	2024 AED '000
Intangible assets (Note 9.1)	<u>1,163,975</u>	<u>1,151,748</u>
Goodwill (Note 9.2)	<u>198,522</u>	<u>198,522</u>
	<u><b>1,362,497</b></u>	<u><b>1,350,270</b></u>

During the year ended December 31, 2025, intangible assets and goodwill were subject to impairment tests and management concluded that they are not impaired.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**9 Intangible assets (continued)**

**9.1 Intangible assets**

The movement in the intangible assets during the year can be reconciled as follows:

	2025 AED '000	2024 AED '000
As at January 1,	1,151,748	1,147,395
Additions during the year	18,282	9,349
Amortisation during the year (Note 29)	(6,055)	(4,996)
As at December 31,	<u>1,163,975</u>	<u>1,151,748</u>

The Group holds the intangible assets with indefinite useful lives, as follows:

	2025 AED '000	2024 AED '000
Trade name	395,410	395,410
Landing rights	468,273	468,273
Price benefit from related parties	180,281	180,281
Handling license - Sharjah Aviation Services	48,383	48,383
	<u>1,092,347</u>	<u>1,092,347</u>

**9.2 Goodwill**

Goodwill comprises of the following:

	2025 AED '000	2024 AED '000
Goodwill on acquisition of Air Arabia LLC *	189,474	189,474
Goodwill on step acquisition of Information Systems Associates FZC	9,048	9,048
As at December 31,	<u>198,522</u>	<u>198,522</u>

\* Goodwill arising on of the acquisition of Air Arabia LLC in 2007, determined by an independent valuer, was as follows:

	AED '000
Total fair value of Air Arabia LLC	1,400,000
Fair value of intangible assets	(1,092,347)
Fair value of tangible assets – net	<u>(118,179)</u>
	<u>189,474</u>

**9.3 Impairment test for infinite life intangible assets and goodwill**

Irrespective of any indicators of impairment, the intangible assets with indefinite useful lives and goodwill are tested for impairment at each reporting date in accordance with the requirements of applicable reporting framework and accounting policy adopted by the Group.

The goodwill is monitored by the management at the level of the component to whom it relates i.e. the concerned cash generating unit (CGU) of the Group. The recoverable amount of the goodwill is determined based on value-in-use calculation which require the use of assumptions. The calculations apply cash flows projections based on financial budgets approved by management covering a five-year period.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**9 Intangible assets (continued)**

**9.3 Impairment test for infinite life intangible assets and goodwill (continued)**

Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rate as stated below. This terminal growth rate is consistent with forecasts included in industry reports specific to the industry where the CGU is operating.

Assumptions used by the Group when testing the impairment of the intangible assets and goodwill as at December 31 are as follows:

	2025	2024
Growth rate	2.0%	2.5%
Discount rate	10.7% - 11.5%	10.9% - 12.1%
Risk free rate	<u>4.60%</u>	<u>5.07%</u>

Management has determined the value assigned to each of the above key assumption as follows:

<b>Assumption</b>	<b>Approach used</b>
Risk free rate	Reflects yield on government securities adjusted for the default spread for United Arab Emirates.
Growth rate	Reflects UAE average Gross Domestic Products growth rate adjusted with the similar industry growth rate in which it operates.
Discount rate	Reflect specific risks relating to the industry in which it operates.

The Group tests the impairment of these intangible assets and goodwill depending on financial and operational position in the prior years, and its expectation for the market in the future by preparing a business plan using the afore-said assumptions. As at the reporting date, the carrying value of the intangible assets and goodwill is less than its recoverable amount.

*Sensitivity of recoverable amounts*

The growth rate in the forecast period has been estimated to be 2.0%. If all other assumptions kept the same, a reduction of this growth rate by 20% (i.e. to 1.6%) would give a value in use exceeding the current carrying amount.

The discount rate in the forecast period has been estimated to be 10.7% - 11.5%. If all other assumptions kept the same, an increase in this discount rate by 2.8% (i.e. to 10.4% - 11.1%) would give a value in use exceeding the current carrying amount.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**10 Deferred charges**

	Landing permission charges AED'000	Aircraft upgrade costs AED'000	Processing fee and commission costs AED'000	Buyer Furnished Equipment AED'000	Total AED'000
<b>2025</b>					
<b>Gross carrying amount</b>					
As at January 1, 2025	51,745	35,073	27,086	24,047	137,951
As at December 31, 2025	51,745	35,073	27,086	24,047	137,951
<b>Accumulated amortization</b>					
As at January 1, 2025	51,745	35,073	22,578	14,325	123,721
Charge for the year (Note 29)	-	-	2,142	2,835	4,977
As at December 31, 2025	51,745	35,073	24,720	17,160	128,698
<b>Net carrying amounts as at December 31, 2025</b>					
	-	-	<b>2,366</b>	<b>6,887</b>	<b>9,253</b>
<b>2024</b>					
<b>Gross carrying amount</b>					
As at January 1, 2024	51,745	35,073	27,086	24,047	137,951
As at December 31, 2024	51,745	35,073	27,086	24,047	137,951
<b>Accumulated amortization</b>					
As at January 1, 2024	51,745	34,846	20,699	11,368	118,658
Charge for the year (Note 29)	-	227	1,879	2,957	5,063
As at December 31, 2024	51,745	35,073	22,578	14,325	123,721
<b>Net carrying amounts as at December 31, 2024</b>					
	-	-	<b>4,508</b>	<b>9,722</b>	<b>14,230</b>

**11 Investments at fair value through other comprehensive income**

	2025 AED '000	2024 AED '000
<i>Quoted equity instruments (Note 11.1)</i>		
- Dubai Financial Market	<b>5,631</b>	5,136
- Abu Dhabi Stock Exchange	<b>4,730</b>	3,877
	<b>10,361</b>	9,013
<i>Unquoted debt instruments (Note 11.2)</i>		
- Inside United Arab Emirates	<b>270,817</b>	267,222
- Outside United Arab Emirates	<b>176,350</b>	144,131
	<b>447,167</b>	411,353
	<b>457,528</b>	420,366

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**11 Investments at fair value through other comprehensive income (continued)**

**11.1 Quoted equity instruments**

The Movement in quoted investments in equity instruments during the year were as follows:

	2025 AED '000	2024 AED '000
As at January 1,	9,013	9,216
Change in fair value	1,348	(203)
As at December 31,	<u>10,361</u>	<u>9,013</u>

The market rates of quoted equity instruments, prevailing in the respective stock exchanges, as at reporting dates have been considered for the calculation of their fair values.

**11.2 Unquoted Debt instruments**

The Group has made investment in Sukuk Bonds and other debt instruments issued by Governments and financial institutions within and outside United Arab Emirates with good to acceptable credit ratings. The movement in debt instruments during the year were as follows:

	2025 AED '000	2024 AED '000
As at January 1,	411,353	221,116
Additions during the year	21,528	195,360
Change in fair value	14,286	(5,123)
As at December 31,	<u>447,167</u>	<u>411,353</u>

The fair values of these debt instruments are determined using market interest rates of similar debt instruments as at December 31, 2025 and December 31, 2024.

**12 Investments in associates and joint ventures**

	2025 AED'000	2024 AED'000
Investments in associates (Note 12.1)	51,310	59,106
Investments in joint ventures (Note 12.2)	312,076	167,298
	<u>363,386</u>	<u>226,404</u>

**12.1 Investments in associates**

Investments in associates represent share in net assets of the associates at the reporting date, accounted for using equity method. The movements during the year are summarised as follows:

	2025 AED'000	2024 AED'000
As at January 1,	59,106	93,091
Share of profit of Air Arabia Maroc S.A.	20,532	28,211
Dividend received from Air Arabia Maroc S.A	(28,328)	(62,196)
As at December 31,	<u>51,310</u>	<u>59,106</u>

Investment in Air Arabia Jordan LLC is fully impaired in the previous years.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**12 Investments in associates and joint ventures (continued)**

**12.1 Investments in associates (continued)**

The summarised financial information presented in the financial statements of the associates is provided as follows:

	Ownership interest %	Assets AED '000	Liabilities AED '000	Net assets AED '000	Group's share in net assets AED '000	Profit/(loss) for the year AED '000	Group's share of profit/(loss) for the year AED '000	Dividends received by the Group AED '000
<b>2025</b>								
Air Arabia Maroc S.A.	44.13%	774,662	658,392	116,270	51,310	46,523	20,532	28,328
<b>Total</b>		<b>774,662</b>	<b>658,392</b>	<b>116,270</b>	<b>51,310</b>	<b>46,523</b>	<b>20,532</b>	<b>28,328</b>
<b>2024</b>								
Air Arabia Maroc S.A.	44.13%	977,081	842,614	134,467	59,340	64,927	28,211	62,196
<b>Total</b>		<b>977,081</b>	<b>842,614</b>	<b>134,467</b>	<b>59,340</b>	<b>64,927</b>	<b>28,211</b>	<b>62,196</b>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

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**12 Investments in associates and joint ventures (continued)**

**12.2 Investments in joint ventures**

Investments in joint ventures represent share in net assets of the joint ventures at the reporting date as per equity accounting principles and the movements during the year are summarised below:

	<b>2025</b> <b>AED'000</b>	<b>2024</b> <b>AED'000</b>
As at January 1,	167,298	112,767
<i>Additional investments during the year</i>		
Air Arabia - Egypt Company S.A.E.	-	3,828
Air Arabia – Dammam	26,956	-
<i>Share of profit/ (loss)</i>		
Sharjah Aviation Services	36,898	35,965
Alpha Flight Services UAE LLC	32,577	25,939
Air Arabia Abu Dhabi L.L.C	54,210	21,575
Tune Protection Commercial Brokerage LLC	36,070	13,098
Fly Jinnah Services (Private) Limited	3,847	(3,828)
Air Arabia - Egypt Company S.A.E.	-	(144)
<i>Dividends received during the year</i>		
Alpha Flight Services UAE LLC	-	(24,000)
Sharjah Aviation Services	(40,000)	(20,000)
Tune Protection Commercial Brokerage LLC	-	(1,838)
Fly Jinnah Services (Private) Limited	(11,621)	-
As at December 31,	<u>312,076</u>	<u>167,298</u>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**12 Investments in associates and joint ventures (continued)**

**12.2 Investments in joint ventures (continued)**

The summarised financial information presented in the financial statements of the joint ventures are provided as follows:

	Ownership interest %	Assets AED '000	Liabilities AED '000	Net assets AED '000	Group's share in net assets AED '000	Profit/(loss) for the year AED '000	Group's share of profit/(loss) for the year AED '000	Dividends received by the Group AED '000
<b>2025</b>								
Alpha Flight Services UAE LLC	51	206,587	113,714	92,873	47,365	63,876	32,577	-
Tune Protection Commercial Brokerage LLC	51	25,378	5,772	19,606	9,999	11,453	5,841	-
Sharjah Aviation Services LLC	50	239,530	89,613	149,917	74,959	83,460	36,898	40,000
Air Arabia DMM, LLC	49	53,912	-	53,912	26,956	-	-	-
Air Arabia Abu Dhabi LLC	49	2,405,159	2,183,671	221,448	108,529	110,634	54,210	-
Air Arabia SAE Egypt	49	334,404	326,553	7,851	3,847	7,851	3,847	-
Fly Jinnah Services (Private) Limited	45	492,467	402,373	90,094	40,542	67,048	36,070	11,621
Cozmo Travel (CJSC)*	75	1,775	1,218	557	418	-	-	-
<b>Total</b>		<b>3,759,212</b>	<b>3,122,914</b>	<b>636,298</b>	<b>312,076</b>	<b>344,322</b>	<b>169,443</b>	<b>51,621</b>
<b>2024</b>								
Alpha Flight Services UAE LLC	51	115,228	86,231	28,997	14,788	50,860	25,939	24,000
Tune Protection Commercial Brokerage LLC	51	13,131	4,978	8,153	4,158	7,718	3,936	1,838
Sharjah Aviation Services LLC	50	231,701	85,244	146,457	73,228	71,930	35,965	20,000
Air Arabia Abu Dhabi LLC	49	1,370,334	1,259,480	110,854	54,318	44,032	21,575	-
Fly Jinnah Services (Private) Limited	45	273,857	240,012	33,845	15,230	55,649	13,098	-
Cozmo Travel (CJSC)*	75	1,775	1,218	557	418	(192)	(144)	-
<b>Total</b>		<b>2,006,026</b>	<b>1,677,163</b>	<b>328,863</b>	<b>162,140</b>	<b>229,997</b>	<b>100,369</b>	<b>45,838</b>

\* During the year ended December 31, 2024, the Group has suspended its operations in Armenian National Airlines (CJSC) and Cozmo Travel (CJSC). Investment in Armenian National Airlines (CJSC) was fully impaired as at December 31, 2023.

\* During the year ended December 31, 2025 the Group has entered into a joint venture with Saudi investors to establish an airline in Kingdom of Saudi Arabia "Air Arabia DMM, LLC", the group has acquired 49% of the new Company shares. The new Company has not commenced commercial operations.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2024**

**13 Categories of financial assets and liabilities**

Note 4 to the consolidated financial statements provide a description of each classification and measurement of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	2025 AED'000	2024 AED'000
<b>Financial assets at amortised cost</b>		
Trade and other receivables	1,222,553	982,772
Fixed deposits	4,126,040	4,619,288
Cash and cash equivalents	1,072,692	700,229
<b>Financial assets at fair value through other comprehensive income</b>		
Investments at fair value through other comprehensive income	457,528	420,366
	<u>6,878,813</u>	<u>6,722,655</u>
 <b>Financial liabilities at amortised cost</b>		
Trade and other payables	2,749,204	2,170,866
Bank borrowings	1,515,068	1,059,165
Lease liabilities	1,266,367	1,042,276
Lease deposit payable	28,630	28,630
Cash flow hedge liabilities (derivative)	142,248	57,630
	<u>5,701,517</u>	<u>4,358,567</u>

A description of the Group's financial statements risk, including risk management objectives and policies is given in Note 37 and methods used to measure fair value are described in Note 38.

**14 Trade and other receivables**

	2025 AED'000	2024 AED'000
<b>Current assets</b>		
<i>Financial assets:</i>		
Trade receivables, gross	289,254	256,090
Allowance for expected credit losses	(49,834)	(49,368)
	<u>239,420</u>	<u>206,722</u>
Trade receivables, net	481,033	417,732
Advances and other receivables	46,672	86,067
Amounts due from related parties (Note 15)	89,413	73,055
Net investment in lease*	<u>856,538</u>	<u>783,576</u>
<i>Non-financial assets:</i>		
Prepaid aircraft lease rentals	17,101	14,696
Prepaid expenses – others	22,749	26,024
	<u>39,850</u>	<u>40,720</u>
	<u>896,388</u>	<u>824,296</u>
 <b>Non-current assets</b>		
<i>Financial asset:</i>		
Net investment in lease*	334,666	172,078
Trade and other receivables (Lease deposits)	31,349	27,118
	<u>1,262,403</u>	<u>1,023,492</u>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2024**

**14 Trade and other receivables (continued)**

\* Net investment in lease represents the present value of the minimum lease payment receivables. The Group subleased aircrafts to Air Arabia Maroc, S.A. (an associate), Fly Jinnah Services (Private) Limited (a joint venture) and Air Arabia Abu Dhabi L.L.C (a joint venture). The Group has classified the subleases as finance lease because the subleases are for the whole of the remaining term of head lease.

The following table sets out the lease receivables related to the subleases:

	2025 AED'000	2024 AED'000
Within 1 year	89,413	73,055
1 - 2 years	76,099	54,197
2 -3 years	70,322	39,411
3 – 4 years	70,169	32,140
4 – 5 years	48,533	30,431
More than 5 years	<u>69,543</u>	15,899
At December 31,	<u>424,079</u>	245,133

As at December 31, 2025, all of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables amounting to AED 49.83 million were found to be impaired (2024: AED 49.37 million). The movement in allowance for expected credit losses of trade receivables can be reconciled as follows:

	2025 AED'000	2024 AED'000
As at January 1,	49,368	47,724
Allowance for expected credit losses (Note 30)	<u>466</u>	1,644
As at December 31,	<u>49,834</u>	49,368

The ageing of trade receivables which are not impaired at the reporting date are as follows:

	Not past due nor impaired AED'000	<i>Past due but not impaired</i> <60 Days AED'000	60-90 Days AED'000	>90 Days AED'000
<b>2025</b>	<b>289,252</b>	<b>222,549</b>	<b>5,690</b>	<b>14,193</b>
<b>2024</b>	<b>256,090</b>	<b>192,285</b>	<b>13,364</b>	<b>6,455</b>

Trade receivables are non-interest bearing and are generally settled in within normal credit terms of 45 to 60 days after which they are considered to be past due. Unimpaired accounts receivable are expected, on the basis of past experience, to be recoverable. Before accepting any new customer, the Group assesses the potential customers' quality and defines credit limits for customer.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2024**

**14 Trade and other receivables (continued)**

The expected credit loss allowance as at reporting date has been determined as follows:

	Total	AED'000	Not	<i>Past due but not impaired</i>		
			past due nor	<60	60-90	>90
			impaired	Days	Days	Days
<b>2025</b>						
Expected credit loss rate	17.23%	-		-	21.23%	100%
Gross carrying amount	289,252	222,549		5,690	14,193	46,820
Expected credit loss	49,834	-		-	3,014	46,820
 <b>2024</b>						
Expected credit loss rate	19%	-		-	83%	100%
Gross carrying amount	256,090	192,285		13,364	6,455	43,986
Expected credit loss	49,368	-		-	5,382	43,986

There are 4 customers who represent more than 25% (2024: more than 37%) of the total balance of trade receivables. Majority of the trade receivables are from sales agents which are secured mainly by bank guarantees and deposits.

**15 Related parties**

The Group in the normal course of business carries on transactions with other enterprises that fall within the definition of related party. The Group's related parties include key management personnel, entities held under common control, associates and joint ventures. Transactions with related parties are carried out in the normal course of business and are measured at exchange amounts, being the amounts agreed by both the Board of Directors and the respected related party.

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	AED'000	2025		2024	
		Associate	Joint venture	Associate	Joint venture
Rental income from aircraft operating lease (Note 28)	105,266	114,489	106,140	43,303	
Expenses recharged	-	45,987	-	49,919	
Revenue	52,477	213,675	42,928	164,002	
Management fees (Note 32)	28,214	58,691	28,880	45,605	
Income from investments (Note 12)	20,532	169,443	28,211	100,369	

**Compensation of key management personnel**

A number of key management personnel hold positions in the Group that result in them having control or significant influence over the financial or operating activities. Compensation of key management personnel are as follows:

	2025	2024
	AED'000	AED'000
Short term benefits	39,733	30,954
Long term benefits	805	787
Board of Directors' remuneration*	8,000	8,000

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**15 Related parties (continued)**

**Compensation of key management personnel (continued)**

- \* At the Annual General Meeting held on March 17, 2025, Board of Directors proposed, and the shareholders approved Board of Directors' remuneration of AED 8 million for the year ended December 31, 2025 (2024: AED 8 million).

Balances with related parties included in the consolidated statement of financial position are as follows:

	2025 AED'000	2024 AED'000
<b>Amounts due from related parties: (Note 14)</b>		
Receivable from associates	32,895	73,040
Receivable from joint ventures	13,777	13,027
	<u>46,672</u>	<u>86,067</u>
<b>Amounts due to related parties: (Note 23)</b>		
Payable to joint ventures	359,216	163,875
	<u>359,216</u>	<u>163,875</u>

Amounts due from/(to) related parties above are unsecured, bear no interest and have no fixed repayment terms. The management considers these to be current assets/current liabilities as appropriate.

**16 Cash and cash equivalents**

	2025 AED'000	2024 AED'000
<i>Bank balances</i>		
Current accounts	682,530	624,890
Call deposits	387,478	70,672
	<u>1,070,008</u>	<u>695,562</u>
Cash in hand	2,684	4,667
Cash and cash equivalents	<u>1,072,692</u>	<u>700,229</u>

**17 Fixed deposits**

	2025 AED'000	2024 AED'000
<i>Fixed deposits*</i>		
	<u>4,126,040</u>	<u>4,619,288</u>

\*Fixed deposits carry an average interest rate of 4.41% (31 December 2024: 5.27%) per annum.

**18 Share capital**

	2025 AED'000	2024 AED'000
<i>Authorised, issued and fully paid-up share capital</i>		
(4,666,700 thousand shares of AED 1 each)	<u>4,666,700</u>	<u>4,666,700</u>

**Dividends**

At the Annual General Meeting held on March 17, 2025, the Board of Directors proposed, and the shareholders approved a cash dividend approximately of AED 1,167 million at AED 0.25 per share for the year ended December 31, 2025 (2024: 933 million at AED 0.20 per share).

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**19 Statutory reserve**

In accordance with the Company's Articles of Association and Article 241 of Federal Decree Law No. 32 of 2021, a minimum of 10% of the net profit for the year has to be transferred to the statutory reserve. Such transfers are required to be made until the balance on the statutory reserve equals one half of the Company's paid-up share capital. The reserve is not available for distribution except as provided for in the Federal Decree Law.

**20 General reserve**

In accordance with the Company's Articles of Association, an amount equal to 10% of the net profit for the year is transferred to a general reserve. Transfers to this reserve shall stop by resolution of an Ordinary General Assembly upon recommendation by the Board of Directors or when this reserve reaches 50% of the paid-up capital of the Group. This reserve shall be utilized for the purposes determined by the General Assembly at an ordinary meeting upon recommendation by the Board of Directors.

**21 Provision for staff terminal benefits**

	2025 AED'000	2024 AED'000
As at January 1,	239,721	208,175
Charge for the year	49,754	42,016
Payments made during the year	<u>(18,273)</u>	<u>(10,470)</u>
As at December 31,	<u>271,202</u>	<u>239,721</u>

**22 Provision for maintenance**

	2025 AED'000	2024 AED'000
As at January 1,	1,714,335	1,795,035
Provision for maintenance made during the year	698,645	490,930
Maintenance charges received from related parties	323,555	278,780
Maintenance cost paid during the year	<u>(860,211)</u>	<u>(850,409)</u>
As at December 31,	<u>1,876,324</u>	<u>1,714,335</u>

Provision for maintenance are disclosed in the consolidated statement of financial position as follows:

	2025 AED'000	2024 AED'000
Non-current portion of provision for maintenance	1,058,906	1,367,885
Current portion of provision for maintenance	817,418	346,450
	<u>1,876,324</u>	<u>1,714,335</u>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**23 Trade and other payables**

	2025 AED'000	2024 Restated AED'000
<i>Financial liabilities</i>		
Cash flow hedge liability (Note 24)	142,248	57,630
Accrued expenses	785,395	710,589
Other payables	1,223,481	1,030,548
Trade payables	352,482	237,224
Amounts due to related parties (Note 15)	359,216	163,875
Lease deposit payables	28,630	28,630
	<u>2,891,452</u>	2,228,496
<i>Non-financial liability</i>		
Advances from customers (Note 28.b)	155,717	148,535
	<u>3,047,169</u>	2,377,031
<b>Non-current liabilities</b>		
Cash flow hedge liability (Note 24)	85,831	52,515
Lease deposit payable	28,630	28,630
	<u>114,461</u>	81,145
<b>Current liabilities</b>		
	<u>2,932,708</u>	2,295,886

The Group has financial risk management policies in place to ensure that all payables are paid within the credit period.

**24 Derivative financial instruments**

*Fuel derivatives*

The Group uses derivative financial instruments for risk management purposes. Hedging instruments are measured at their fair value at the reporting date and the effective portion of the changes in their fair value is recognised in the consolidated statement of other comprehensive income, as part of the cash flow hedge reserve in line with provisions of IFRS 9.

In 2025, a loss of AED 72.4 million was recognised (2024: AED 5.3 million) relating to the ineffective and disallowed portion of trade deals and the settlement of the same in the consolidated statement of profit or loss, as part of fuel costs (Note 29).

The Group has reassessed the hedging relationship as at reporting date and concluded that the forecast transactions being hedged are highly probable to occur in the future. Cash flow hedge liability / asset is categorised into the following:

	2025 Term AED'000	2024 Term AED'000
<b>Non-current (liability)/asset</b>		
Commodity swaps, forwards options and others	2027-2028 (85,831)	2025-2026 (52,515)
<b>Current (liability)/asset</b>		
Commodity swaps, collars, forwards options and others	2026 (56,417)	2025 (5,115)
<b>Total (Note 23)</b>	<u>(142,248)</u>	<u>(57,630)</u>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**25 Lease liabilities**

The Group has entered into leasing arrangements with leasing companies to finance the purchase of the aircraft. The terms of the leases are 5 - 15 years for aircraft and hangar. Lease liabilities in respect of right-of-use assets recognised (refer to Note 6) in the consolidated statement of financial position as follows:

	2025	2024
	Restated	Restated
	AED'000	AED'000
As at January 1,	1,042,276	701,426
Additions to lease liabilities for the year	472,157	538,898
Accretion of interest	31,530	23,881
Payments made during the year	<u>(279,596)</u>	<u>(221,929)</u>
As at December 31,	<u>1,266,367</u>	<u>1,042,276</u>

Lease liabilities are disclosed in the consolidated statement of financial position as follows:

	2025	2024
	Restated	Restated
	AED'000	AED'000
Non-current portion of lease liabilities	1,003,700	793,050
Current portion of lease liabilities	<u>262,667</u>	<u>249,226</u>
	<u>1,266,367</u>	<u>1,042,276</u>

The lease liabilities are secured by the associated leased aircraft (Note 5).

The lease agreements are subject to certain financial and operational covenants including compliance with various regulations, restrictions on unapproved subleasing, insurance coverage and maintenance of total debt to equity ratio.

Lease liabilities are payable as follows:

	2025	2024
	Restated	Restated
	AED'000	AED'000
Not later than one year	262,667	249,226
Later than one year but not later than five years	814,954	793,050
Later than five years	188,746	-
As at December 31,	<u>1,266,367</u>	<u>1,042,276</u>

The finance charges are calculated based on average interest rate of 4% (2024: 4%).

**26 Bank borrowings**

	2025	2024
	Restated	Restated
	AED'000	AED'000
Non-current	1,121,341	683,168
Current portion	393,727	375,997
Total bank borrowings	<u>1,515,068</u>	<u>1,059,165</u>

During the current year the Group has obtained a loan of AED 849.6 million to finance 5 aircraft received during the year.

\*Aircraft against which borrowings is obtained are mortgaged.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**26 Bank borrowings (continued)**

	2025 AED'000	2024 Restated AED'000
As at January 1,	1,059,165	1,577,531
Loan taken during the year	849,572	-
Payment made during the year	(393,669)	(518,366)
As at December 31,	<u>1,515,068</u>	<u>1,059,165</u>

**27 Taxation**

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (C1) regime in the UAE. The CT regime has become effective for accounting periods beginning on or after June 1, 2023. The Cabinet of Ministers Decision No. 116 of 2022 (widely accepted to be effective from January 16, 2023) specified the threshold of taxable income to which the 0% UAE CT rate would apply, and above which the 9% UAE CT rate would apply.

Current tax is measured at the amount expected to be paid to or recovered from the tax authorities by reference to tax rates and laws that have been enacted or substantively enacted, by the end of any reporting period. Since the Group is expected to pay tax in accordance with the provision of the "Domestic Minimum Top-up Tax" (DMTT) which has been implemented with effect from January 1, 2025 at the rate of 15%, accordingly provision for current taxes have been accounted for on the same basis in these consolidated financial statements for the period ended 31 December 2025.

	2025 AED'000	2024 AED'000
Tax expense for the year	212,444	141,508
Tax adjustment of prior period	<u>(10,390)</u>	-
	<u>202,054</u>	<u>141,508</u>

**a. Reconciliation of tax expense**

	2025 AED'000	2024 AED'000
Profit for the year before income tax	<u>1,830,789</u>	<u>1,609,138</u>
Income tax using the domestic corporate tax rate at 15% (2024: 9%)	221,963	144,822
Income which is exempt from taxation in United Arab Emirates	(17,135)	(3,300)
Non-deductible expenses/income	184	(14)
Tax in foreign jurisdiction	7,432	-
Income tax expense	<u>212,444</u>	<u>141,508</u>
<b>Effective tax rate</b>	<b>11.60%</b>	<b>8.79%</b>

**b. Movement of tax liabilities**

	2025 AED'000	2024 AED'000
Opening balance	141,508	-
Tax expense for the year (Note 27.a)	212,444	141,508
Tax paid	(131,118)	-
Tax adjustment of prior period	<u>(10,390)</u>	-
As at December 31,	<u>212,444</u>	<u>141,508</u>
Non-current income tax liabilities	62,358	-
Current income tax liabilities	<u>150,086</u>	<u>141,508</u>
	<u>212,444</u>	<u>141,508</u>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**27 Taxation (continued)**

**c. Pillar Two Model Rules**

In 2021, the Organisation for Economic Cooperation and Development ("OECD") published the Global Anti-Base Erosion Model Rules ("Pillar Two Model Rules") with an objective to address the tax challenges arising from the digitalisation of the global economy.

The Group qualifies to be in scope under the Pillar Two Model Rules.

On December 9, 2024, the concerned authorities in United Arab Emirates announced that a "Domestic Minimum Top-up Tax" (DMTT) will be implemented with effect from January 1, 2025. The Group has assessed the impact as at reporting date as per the current guidance and regulations and therefore current tax provision at 15% is recorded. Furthermore, the Group is closely monitoring further developments and legislations that will impact the overall Pillar Two tax position on a going-forward basis. Amendments to IAS 12 introduce a temporary mandatory relief from accounting for deferred tax that arises from legislation implementing Pillar Two. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

**d. Deferred taxes**

The management has assessed the carrying amounts of the Group's assets and liabilities against their respective tax bases and concluded that, as at the reporting date, there are no temporary (timing) differences that give rise to deferred tax assets or liabilities. Accordingly, no deferred tax has been recognized and no deferred tax adjustment has been recorded for the period.

**28 Revenue**

	2025	2024
	Restated	AED'000
Revenue from contract with customers (Note 28.a)	7,567,826	6,616,409
Aircraft lease rentals - (Note 15)	219,755	149,443
	<hr/>	<hr/>
	7,787,581	6,765,852

**a. Disaggregation of revenue from contract with customers**

	2025	2024
	Restated	AED'000
<i>Nature of operations</i>		
Passenger revenue	6,165,584	5,485,261
Other airline related services	846,000	677,506
Service revenue	223,323	281,663
Cargo revenue	186,948	181,778
Revenue from hotel operations	59,842	72,512
Baggage revenue	86,129	67,132
	<hr/>	<hr/>
	7,567,826	6,504,661

The Group disaggregate revenue by geographical location as disclosed in Note 39 (segment reporting).

**b. Contract balances**

	2025	2024
	AED'000	AED'000
<i>Contract liabilities</i>		
Deferred income	1,100,030	835,350
Advances from customers (Note 23)	155,717	148,535
	<hr/>	<hr/>
	1,255,747	983,885

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**28 Revenue continued**

**b. Contract balances (continued)**

The movement in contract liabilities is as follows.

	2025 AED'000	2024 AED'000
<b><i>Deferred income</i></b>		
As at January 1,	835,350	523,402
Addition during the year	264,680	311,948
As at December 31,	<u>1,100,030</u>	<u>835,350</u>

	2025 AED'000	2024 AED'000
<b><i>Advances from customers</i></b>		
As at January 1,	148,535	94,513
Advances received during the year	7,182	54,022
As at December 31,	<u>155,717</u>	<u>148,535</u>

**29 Direct operating costs**

	2025 AED'000	2024 Restated AED'000
Fuel costs (Note 24)	2,251,363	1,924,547
Staff costs	1,069,366	885,104
Aircraft maintenance expenses	800,577	685,639
Depreciation of property and equipment (Note 5)	393,504	462,951
Landing and overflying charges	470,049	405,084
Passenger, ground and technical handling charges	384,125	344,585
Depreciation of right-of-use assets (Note 6)	177,181	142,145
Aircraft lease rental	118,487	15,040
Insurance	15,099	17,052
Amortisation of deferred charges (Note 10)	4,977	5,063
Amortisation of intangible assets (Note 9)	6,055	4,996
Other operating costs	<u>397,349</u>	<u>310,738</u>
	<u>6,088,132</u>	<u>5,202,944</u>

**30 General and administrative expenses**

	2025 AED'000	2024 AED'000
Staff costs	150,301	130,671
Depreciation of property and equipment (Note 5)	40,081	33,433
Travel and accommodation costs	6,469	11,862
Rent expenses	9,527	8,609
Legal and professional fees	13,296	8,506
Communication costs	6,084	6,927
Allowance for expected credit losses of trade and other receivables (Note 14)	466	1,644
Other administrative and general expenses	<u>90,040</u>	<u>73,313</u>
	<u>316,264</u>	<u>274,965</u>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**31 Selling and marketing expenses**

	2025 AED'000	2024 AED'000
Staff costs	55,824	47,658
Advertisement expenses	44,329	46,102
Reservation management expenses	13,452	10,083
	<b>113,605</b>	<b>103,843</b>

**32 Other income**

	2025 AED'000	2024 AED'000
Management fees from joint ventures and associates (Note 15)	86,905	74,485
Others	110,227	57,195
	<b>197,132</b>	<b>131,680</b>

**33 Basic and diluted earnings per share**

	2025 AED'000	2024 AED'000
Profit attributable to the Owners of the Company	1,629,303	1,466,986
Weighted average number of shares (in '000)	4,666,700	4,666,700
Basic and diluted earnings per share (AED)	<b>0.35</b>	<b>0.31</b>

**34 Operating lease commitments**

*The Group as a lessor*

As at December 31, 2025, the Group has leased out 17 aircrafts (2024: 18) under non-cancellable operating lease agreements to related parties.

The leases have varying terms and renewal rights. The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are shown below.

	2025 AED'000	2024 AED'000
Within one year	166,435	185,269
1 to 2 years	92,942	156,993
2 to 3 years	31,955	95,718
3 to 4 years	1,504	31,955
4 to 5 years	-	1,504
	<b>292,836</b>	<b>471,479</b>

The carrying amount of the leased aircraft owned by the Group under operating leases at the reporting date are as follows:

	2025 AED'000	2024 AED'000
Net book value	967,384	1,145,819
Accumulated depreciation	1,851,309	1,845,740
Depreciation charge for the year	<b>101,344</b>	<b>146,587</b>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**35 Contingent liabilities**

As at reporting date, the Group has outstanding letters of guarantees and credits, entered into as part of its normal business activities and in connection with deposits against leased aircraft, amounting to AED 98 million (2024: AED 87 million). These contingent liabilities are not expected to result in material losses for the Group in the foreseeable future. Therefore, the Group does not consider it probable that there will be an outflow of economic resources with regard to these contingent liabilities.

**36 Capital commitments**

	2025 AED'000	2024 AED'000
<i>Authorised and contracted:</i>		
Aircraft fleet (Note 7)	<u>21,918,082</u>	22,553,059

**37 Financial instruments and risk management objectives and policies**

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at Group level, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below and on the following pages.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk and price risks, which result from both its operating and investing activities.

***i Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates

The Group has adopted a policy of ongoing review of its exposure to changes in interest rate on its borrowings, taking into account market expectations, the maturity profile and cash flows of the underlying debt, and the extent to which debt may potentially be either prepaid prior to its maturity or refinanced at reduced cost.

The Group is exposed to changes in market interest rates through fixed deposits, investments, call deposits, lease liabilities and bank borrowings. At the reporting date, the interest rate profile on the Group's interest-bearing financial instruments is as follows:

	2025 AED'000	2024 AED'000
<i>Fixed rate</i>		
Financial assets		
Fixed deposits	4,126,040	4,619,288
Call deposits	<u>387,478</u>	70,672
	<u>4,513,518</u>	<u>4,689,960</u>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**37 Financial instruments and risk management objectives and policies (continued)**

*i. Interest rate risk (continued)*

		2025	2024
		AED'000	AED'000
<i>Variable rate</i>			
<i>Financial liabilities</i>			
Bank borrowings		<u>1,515,068</u>	1,059,165

**Cash flow sensitivity analysis for variable rate instruments**

The following table illustrates the sensitivity of the Group's profit and closing equity to a reasonably possible change in interest rates of  $\pm 1\%$  (2024:  $\pm 1\%$ ). These changes are considered to be reasonably possible based on observation of current market conditions. Positive figures represent an increase in profit or equity. The analysis below excludes interest capitalized and assumes that all other variables remain constant.

	Effect on Profit for the year		Effect on Equity	
	AED'000	AED'000	AED'000	AED'000
	+1%	-1%	+1%	-1%
2025	<b>(15,151)</b>	<b>15,151</b>	<b>(15,151)</b>	<b>15,151</b>
2024	(10,591)	10,591	(10,591)	10,591

*i. Equity price risk*

The Group is exposed to equity price risk in respect of its listed equity securities (Note 11). For the listed equity securities, an average volatility of 15% has been observed during 2025 (2024: 11%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, consolidated statements of other comprehensive income and equity would have changed by AED 1.34 million (2024: AED 1 million). The listed securities are classified as investments at fair value through other comprehensive income.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is exposed to this risk for various financial instruments, for example trade receivables from customers, placing deposits, etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2025	2024
	AED'000	AED'000
Cash and cash equivalents	1,072,692	700,229
Fixed deposits	4,126,040	4,619,288
Trade and other receivables	1,222,553	982,772
Investments measured at fair value through OCI	<u>457,528</u>	<u>420,366</u>
	<u>6,878,813</u>	<u>6,722,655</u>

The following policies and procedure are in place to mitigate the Group's exposure to credit risk:

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**37 Financial instruments and risk management objectives and policies (continued)**

*Trade and other receivables*

The Group seeks to limit its credit risk with respect to trade receivables by continuously monitoring the terms of payments for the outstanding amounts. Trade and other receivables consist of a large number of customers, spread across diverse industries and geographical areas.

*Bank balances and deposits*

Balances held with banks are assessed to have low credit risk of default since these banks are highly regulated by the Central bank of respective countries as per the publicly available ratings all bank ratings ranges between A to AA range.

**Jet fuel price risk**

The Group is exposed to volatility in the price of jet fuel and closely monitors the actual cost against the forecast cost. To manage the price risk, the Group considers the use of commodity futures, options and swaps to achieve a level of control over higher jet fuel costs so that profitability is not adversely affected.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any future commitments.

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an on-going review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilisation of borrowing facilities are monitored, including the need for additional borrowings, as required. The Group has 30 to 90 days credit period from its vendors.

Summarised below in the table is the maturity profile of financial liabilities and net settled derivative financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed are the contractual cash flows.

	2025	Carrying amount AED'000	Contractual cash flows		
			Within 1 year AED'000	More than 1 year AED'000	Total AED'000
Lease liabilities		1,266,367	306,020	1,115,590	1,421,610
Bank borrowings		1,515,068	393,727	1,121,341	1,515,068
Trade and other payables		2,749,204	2,720,574	28,630	2,749,204
Lease deposit payable		28,630	-	28,630	28,630
Cash flow hedge liabilities (derivative)		142,248	56,417	85,831	142,248
<b>Total</b>		<b>5,701,517</b>	<b>3,476,738</b>	<b>2,380,022</b>	<b>5,856,760</b>

	2024	Carrying amount AED'000	Contractual cash flows		
			Within 1 year AED'000	More than 1 year AED'000	Total AED'000
Lease liabilities		1,042,276	273,778	860,593	1,134,371
Trade and other payables		2,170,866	2,142,236	28,630	2,170,866
Bank borrowings		1,059,165	375,997	683,168	1,059,165
Cash flow hedge liabilities (derivative)		57,630	5,115	52,515	57,630
<b>Total</b>		<b>4,329,937</b>	<b>2,797,126</b>	<b>1,624,906</b>	<b>4,422,032</b>

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**38 Fair value measurement**

Assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at December 31, 2025 and December 31, 2024.

	At December 31, 2025	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
<i>Financial asset</i>				
Investments at fair value through other comprehensive income – equity instruments	10,361	-	-	
Investments at fair value through other comprehensive income – debt instruments	-	461,857	-	
Cash flow hedge liabilities	-	(142,248)	-	
At December 31, 2024		Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
<i>Financial asset</i>				
Investments at fair value through other comprehensive income – equity instruments	9,013	-	-	
Investments at fair value through other comprehensive income – debt instruments	-	411,353	-	
Cash flow hedge liabilities	-	(57,630)	-	

**39 Segment Reporting**

For management purposes, the Group is organised into two major reportable segments as follows:

Segment	Description
Airline	Includes international commercial air transportation, aircraft rental, passengers transport, cargo services, aviation training and aircraft repairs and maintenance.
Other segments	Includes travel and tourist agencies, hotels, hotel apartment rentals, airline companies, representative office and documents transfer services.

The following table presents revenue and profit information for the Group's operating segments for the year ended December 31, 2025 and December 31, 2024, respectively:

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**39 Segment Reporting (continued)**

	Airline AED'000	Other segments AED'000	Eliminations AED'000	Total AED'000
<b>December 31, 2025</b>				
<b>Revenue</b>				
External sales	7,359,877	427,704	-	7,787,581
Inter-segment sales	-	107,613	(107,613)	-
Total revenue	<u>7,359,877</u>	<u>535,317</u>	<u>(107,613)</u>	<u>7,787,581</u>
<b>Result</b>				
Segment result	1,370,564	175,809	(107,613)	1,438,760
Share of profit of investments in associates and joint ventures				<u>189,975</u>
<b>Profit for the year</b>				<u>1,628,735</u>
<b>Other information</b>				
Additions to property and equipment and deferred charges	1,494,545	67,398	-	1,561,943
Depreciation and amortisation	<u>588,327</u>	<u>33,471</u>	<u>-</u>	<u>621,798</u>
 <b>December 31, 2024</b>				
<b>Revenue</b>				
External sales	6,231,322	407,742	-	6,639,064
Inter-segment sales	-	78,300	(78,300)	-
Total revenue	<u>6,231,322</u>	<u>486,042</u>	<u>(78,300)</u>	<u>6,639,064</u>
<b>Result</b>				
Segment result	1,273,675	166,050	(96,847)	1,342,878
Share of profit of investments in associates and joint ventures				<u>124,752</u>
<b>Profit for the year</b>				<u>1,467,630</u>
<b>Other information</b>				
Additions to property and equipment and deferred charges	168,710	35,225	-	203,935
Depreciation and amortisation	<u>626,098</u>	<u>22,490</u>	<u>-</u>	<u>648,588</u>

Inter-segment sales are charged at prevailing market prices.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**39 Segment Reporting (continued)**

The following table presents assets and liabilities information for the Group's operating segments as at December 31, 2025 and December 31, 2024, respectively:

	Airline AED'000	Other segments AED'000	Eliminations AED'000	Total AED'000
<b>December 31, 2025</b>				
<b>Assets</b>				
Segment assets	<b>16,434,234</b>	<b>2,626,343</b>	<b>(1,361,782)</b>	<b>17,698,795</b>
<b>Liabilities</b>				
Segment liabilities	<b>8,517,987</b>	<b>2,132,399</b>	<b>(1,361,782)</b>	<b>9,288,604</b>
<b>December 31, 2024</b>				
<b>Assets</b>				
Segment assets	<b>14,423,565</b>	<b>2,144,297</b>	<b>(1,206,418)</b>	<b>15,361,444</b>
<b>Liabilities</b>				
Segment liabilities	<b>6,856,603</b>	<b>1,759,201</b>	<b>(1,206,418)</b>	<b>7,409,386</b>

**Geographical segments**

The majority of assets and liabilities of the Group are geographically located in United Arab Emirates. Therefore, detailed disclosures have not been provided. Geographical location-wise disaggregation of revenue of the Group are as follows:

	2025 AED'000	2024 AED'000
Within United Arab Emirates	<b>7,676,302</b>	<b>6,704,004</b>
Outside United Arab Emirates	<b>111,279</b>	<b>76,888</b>
	<b>7,787,581</b>	<b>6,780,892</b>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment result represents the profit earned by each segment without considering share of profit/(loss) on equity accounted investments.

**40 Capital management policies and procedures**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business. Management monitors the return on capital, as well as the level of dividend to shareholders.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it, in light of changes in business and economic conditions or to respond to any financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or process during the years ended December 31, 2025 and December 31, 2024. Capital includes share capital, statutory reserve, general reserve, other reserves and retained earnings, and is measured at AED'000 8,409,904 as at December 31, 2025 (2024: AED'000 7,950,330).

**41 Subsequent events**

There have been no other events subsequent to the consolidated statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended December 31, 2025.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**42 Reclassification**

The following balances have been reclassified in the comparative balance sheets to conform their presentation to the Group's accounting policies:

- Bank balances and cash as of 31 December 2024 of AED 5,319.5 million (31 December 2023: AED 5,246.4 million) have been presented as Fixed deposits of AED 4,619.3 million (31 December 2023: AED 3,984.1 million) and Cash and cash equivalents of AED 700.2 million (31 December 2023: AED 1,262.3 million);
- The current liabilities for Trade and other payables as of 31 December 2024 of AED 2,783.6 (31 December 2023: AED 2,879.3 million) have been presented as Provisions for maintenance of AED 341.1 million (31 December 2023: AED 514.7 million) and Trade and other payables of AED 2,442.5 million (31 December 2023: AED 2,364.6); and
- The non-current liabilities for Trade and other payables as of 31 December 2024 of AED 1,307.7 million (31 December 2023: AED 1,249.6 million) have been presented as Provisions for maintenance of AED 1,226.6 million (31 December 2023: AED 1,214.6 million) and Trade and other payables of AED 81.1 million (31 December 2023: AED 35.0 million)

**43 Restatement of Comparative Figures**

During the year ended 31 December 2025, the Group identified certain prior period misstatements that have been corrected retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", as described below.

- 1) **Revenue and cost of sales:** commissions due to sales agents in which transactions the Group is the principal in accordance with IFRS 15 "Revenue from Contracts with Customers" should have been recognized in cost of sales in the Consolidated statement of profit or loss for the year ended 31 December 2024, as opposed to a reduction in revenue. As a result, revenue and cost of sales balances in the Consolidated statement of profit or loss for the year ended 31 December 2024 have been restated to reflect this presentation;
- 2) **Classification of bank borrowings:** borrowings obtained from banks for the purchase of aircraft were classified as Lease liabilities in the Consolidated statement of financial position as of 31 December 2024. In accordance with IAS 32 and IFRS 9, bank borrowings should be separately presented and, consequently, prior year Bank borrowing and Lease liability balances in the Consolidated Statement of financial position have been restated to reflect this presentation; and
- 3) **Maintenance provisions:** provisions for future aircraft maintenance obligations were classified within Current liabilities in the Consolidated statement of financial position as of 31 December 2024, whereas IAS 37 "Provisions, Contingent Liabilities and Contingent Assets," requires the contracted timing of settlement of such obligations be classified into current and non-current liabilities. Consequently, prior year Current and Non-current liabilities in the Consolidated statement of financial position have been restated to reflect this presentation.

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**43 Restatement of Comparative Figures (continued)**

Consolidated statement of financial position

<b>As at 31 December 2024</b>	<b>As previously reported</b>	<b>Adjustment</b>	<b>As restated</b>
Total Assets	15,361,444	-	15,361,444
Current liabilities - Maintenance cost provision	341,152	5,298	346,450
Current liabilities - Bank borrowings	15,383	360,614	375,997
Current liabilities – Lease Liability	609,840	(360,614)	249,226
Non-current liabilities - Lease liability	1,476,218	(683,168)	793,050
Non-current liabilities - Bank borrowings	-	683,168	683,168
Non-current liabilities - Maintenance cost provision	1,226,599	141,286	1,367,885
Other liabilities	3,740,194	(146,584)	3,593,610
Equity	7,952,058	-	7,952,058
 <b>As at 1 January 2024</b>	 <b>As previously reported</b>	 <b>Adjustment</b>	 <b>As restated</b>
Total Assets	14,674,544	-	14,674,544
Current liabilities - Maintenance cost provision	353,130	161,560	514,690
Current liabilities - Bank borrowings	95,084	410,671	505,755
Current liabilities – Lease Liability	585,436	(410,671)	174,765
Non-current liabilities - Lease liability	1,567,827	(1,041,166)	526,661
Non-current liabilities - Bank borrowings	30,610	1,041,166	1,071,776
Non-current liabilities - Maintenance cost provision	1,214,621	65,724	1,280,345
Other liabilities	3,292,746	(227,284)	3,065,462
Equity	7,535,090	-	7,535,090

Consolidated statement of profit or loss for the year ended 31 December 2024:

	<b>As previously reported</b>	<b>Adjustment</b>	<b>As restated</b>
Revenue	6,639,064	126,788	6,765,852
Cost of sales	(5,076,156)	(126,788)	(5,202,944)
Net profit for the year	1,467,630	-	1,467,630

Consolidated statement of cash flow for the year ended 31 December 2024:

	<b>As previously reported</b>	<b>Adjustment</b>	<b>As restated</b>
Payments of finance lease liabilities	(678,959)	480,909	(198,050)
Interest on payment of lease liabilities	-	(23,881)	(23,881)
Bank borrowings repaid during the year	(110,311)	(408,055)	(518,366)
Finance costs paid	(9,238)	(48,973)	(58,211)

**Air Arabia PJSC and its subsidiaries**  
**Consolidated Financial Statements**

**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2025**

**43 Restatement of Comparative Figures (continued)**

	31 December 2025	31 December 2024	1 January 2024
	AED'000	AED'000	AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5,790,022	4,661,664	4,954,113
Right-of-use assets	852,577	784,706	574,232
Advance for new aircraft	2,028,265	1,262,605	886,886
Investment property	277,090	244,734	165,401
Net investment in lease	334,666	172,078	52,993
Intangible assets	1,362,497	1,350,270	1,345,917
Deferred charges	9,253	14,230	19,293
Investments at fair value through other comprehensive income	457,528	420,366	230,332
Investments in associates and joint ventures	363,386	226,404	205,858
Trade and other receivables	31,349	27,118	85,847
	<b>11,506,633</b>	<b>9,164,175</b>	<b>8,520,872</b>
<b>Current assets</b>			
Inventories	97,042	53,456	48,719
Trade and other receivables	896,388	824,296	858,576
Fixed deposits	4,126,040	4,619,288	3,984,069
Cash and cash equivalents	1,072,692	700,229	1,262,308
	<b>6,192,162</b>	<b>6,197,269</b>	<b>6,153,672</b>
<b>TOTAL ASSETS</b>	<b>17,698,795</b>	<b>15,361,444</b>	<b>14,674,544</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital</b>	<b>4,666,700</b>	<b>4,666,700</b>	<b>4,666,700</b>
Statutory reserve	1,202,225	1,050,306	912,152
General reserve	641,223	489,304	351,150
Other reserves	(49,011)	(45,785)	71,537
Retained earnings	1,947,767	1,789,805	1,532,467
<b>Total equity attributable to the owners of the Company</b>	<b>8,408,904</b>	<b>7,950,330</b>	<b>7,534,006</b>
Non-controlling interest	1,287	1,728	1,084
<b>Total equity</b>	<b>8,410,191</b>	<b>7,952,058</b>	<b>7,535,090</b>
<b>Non-current liabilities</b>			
Provision for staff termination benefits	271,202	239,721	208,175
Provision for maintenance	1,058,906	1,367,885	1,280,345
Trade and other payables	114,461	81,145	34,986
Bank borrowings	1,121,341	683,168	1,071,776
Lease liabilities	1,003,700	793,050	526,661
Income tax liabilities	62,358	-	-
	<b>3,631,968</b>	<b>3,164,969</b>	<b>3,121,943</b>
<b>Current liabilities</b>			
Deferred income	1,100,030	835,350	523,402
Provision for maintenance	817,418	346,450	514,690
Trade and other payables	2,932,708	2,295,886	2,298,899
Bank borrowings	393,727	375,997	95,084
Lease liabilities	262,667	249,226	174,765
Current income tax liabilities	150,086	141,508	-
	<b>5,656,636</b>	<b>4,244,417</b>	<b>4,017,511</b>
<b>Total liabilities</b>	<b>9,288,604</b>	<b>7,409,386</b>	<b>7,139,454</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,698,795</b>	<b>15,361,444</b>	<b>14,674,544</b>