EL AL ISRAEL AIRLINES LTD.

Financial Statements as of March 31, 2024

Table of Contents

Chapter A

Report of the Board of Directors on the State of the Corporation's Affairs

For the Three-Month Period ended March 31, 2024

El Al Israel Airlines Ltd.

General

El Al Israel Airlines Ltd. (the "Company" or "El Al") and the Subsidiaries (the "Group") operate mainly in the field of air transport of passengers and cargo, and operate scheduled flights, and charter flights through the subsidiary Sundor International Airlines Ltd. ("Sundor"). The Group also engages in ancillary activities to air transport such as: duty-free product sales, manufacture and supply of food to airlines (including to the Company itself), provision of security services to the Israeli aviation, provision of routine maintenance and comprehensive maintenance services for its aircraft. In addition, the Group operates a loyalty program for its customers in which it cooperates with financial institutions in a branded credit card project through the subsidiary El Al Matmid Frequent Flyer Club Ltd. The Group also operates through the subsidiary Cockpit Innovation Ltd. for the development of initiatives, which coordinates the Group's innovation activity.

The business environment in which the Company operates is the international civil aviation industry and tourism to and from Israel, which is characterized by a high level of competition and high economic and geopolitical sensitivity in Israel and worldwide. Regarding the international aviation market, according to IATA (International Air Transport Association) estimates, the number of passengers on flights around the world is expected to continue to grow over the coming years, surpassing the record figures recorded in 2019, before the outbreak of the Corona pandemic. At the same time, the industry faces a shortage in the industry's supply chain, including a shortage of aircraft and other flight equipment, which makes it difficult to expand the supply of seats and to renew the aircraft fleet, which, together with an increase in the prices of inputs, puts pressure on the prices of flight tickets.

Statement of the Board of Directors and management regarding business developments and their impact on the Group

Main developments in business activity in the first quarter of 2024

On October 7, 2023, the Iron Swords War (the "War") broke out, which impacted the aviation and tourism industry in Israel. Starting from the first weeks of the War, there was a significant reduction in passenger traffic at Ben Gurion Airport, and from the beginning of the War until close to the date of approval of the report, the number of passengers passing through Ben Gurion Airport decreased by approx. 58% compared to the corresponding period last year. Since the first days of the War, the foreign airlines have alternately canceled and returned some of their flights to and from Israel. The security reality that changes from time to time and the lack of stability that characterizes the War period result in frequent changes and increased uncertainty regarding the pace and extent of the foreign companies' return and activity.

To a large extent, passenger traffic at Ben Gurion Airport is characterized by seasonality, with most of the activity in the summer months, while the winter months are usually characterized by low passenger traffic activity, and the timing of Israeli holidays has an additional effect on seasonality. In view of the fact that the War brought about significant changes in passenger traffic at Ben Gurion Airport and in the supply of flights in the market, the demand for the Company's flights in the first quarter of 2024 (the "**current quarter**"), despite the gradual return of the foreign airlines, continued even more strongly and even increased. The Company is experiencing increased demand for its flights in relation to the seat capacity it is able to offer, and continues its operational efforts to increase the supply of flights as much as possible, within the limits of its production capacity and is making commercial and operational adjustments, as detailed below.

In this context, the traditional seasonality trend according to which the winter months are characterized by lower passenger traffic was not reflected in the current quarter, and this period was characterized by the demand levels experienced by the Company in peak seasons during routine times. The aforementioned, together with other factors, as detailed below, had a material positive effect on the current quarter's business results, which amounted to a net profit of approx. USD 80.5 million, compared to a net profit of approx. USD 39.7 million in the fourth quarter of 2023 (the "**previous quarter**"), and compared to the loss of USD 34.4 million in the first quarter of last year (the "**corresponding quarter**").

Since the outbreak of the War and on the backdrop of its continuation, the Company had to adapt its activity profile to a changing business reality, which causes, among other things, an increase in the level of operational and commercial risk. In addition, the War has led to an increase in uncertainty regarding the routine in many areas and the difficulty of predicting market demand, the competition and the interrelationships between them. As a result, the Company is bearing additional costs resulting, among other things, from the extension of flight routes, an increase in security expenses, suboptimal management of the workforce (among other things as a result of the lack of ability for crews to stay overnight at some destinations) etc., and all this in addition to the general increase in the price of inputs in the economy and around the world as part of the recovery from the Corona crisis.

As of the date of publication of the report, the trends prevailing in the market as detailed above also continue in the second quarter of 2024, such that the expected demand for the Company's flights continues to be higher than the seat capacity that it has and is able to offer. The capacity offered by the Company in the second quarter of 2024 is expected to be approx. 10% higher than in the first quarter of 2024 (in terms of kilometer weighted seat - ASK), among other things through the use of aircraft leased on a wet lease (ACMI), and the continued building of production capacity in accordance with the Company's plans (see Section A.2.3 below).

Against the backdrop of the relative increase in passenger traffic at Ben Gurion Airport with the Passover holiday and towards the beginning of the summer period, and despite the continued gradual return of foreign airlines, an increase of approx. 4% in revenue per seat km (RASK) is expected in the second quarter of 2024 in relation to the first quarter of 2024, which together with the increase in activity as described above, may have a positive effect on the business results for the second quarter of 2024 (at this stage and as long as these trends continue until the end of the second quarter of 2024) in relation to the first quarter of this year.

The forecast regarding the second quarter of 2024, as detailed above, constitute forward-looking information as defined in the Securities Law, 1968 (the "Securities Law"), based on assumptions, estimates and forecasts, including assumptions regarding the continuation of flight operations at Ben Gurion Airport in the coming period and the effects of the War's continuation. Any change in these assumptions, as well as the materialization of some of the risk factors relevant to the Company and its operations, may affect, even substantially, the actual results.

Development of the Company's passenger sales

The following are the Company's passenger sales (ticketed orders not dependent on the flight date) in March 2023 - May 2024 (in USD millions) and refunds made in the same periods. It should be emphasized that the following data are not revenue data.

	March 2023 - May 2023	June 2023 - August 2023	September 2023 - November 2023	December 2023 - February 2024	March 2024 - May 2024 (predicted)
Sales[1]	685	693	772	1,087	1,029
Vouchers issued	(10)	(10)	(147)	(153)	(63)
Cash refunds	(50)	(46)	(111)	(73)	(75)
Total refunds and vouchers issued	(60)	(56)	(258)	(226)	(138)
Sales, net of refunds	625	637	514	861	891
Rate of sales for future periods[2]	48%	43%	27%	47%	43%

Measures taken by the Company in the context of the War

For information regarding the main measures that were and are being taken by the Company in the context of the War and since its outbreak, see Section 1.2. For the "Description of the Corporation's Business" chapter in the 2023 periodic report, as published in the report dated February 29, 2024 (Ref: 2024-01-021132) (the "2023 Periodic Report"), the Company took additional measures until a date close to the approval of the report as follows:

On the night between April 13 and 14, 2024, there was a significant missile and drone attack on Israel. In view of this, the State of Israel's airspace was closed, and the Company's aviation activity was suspended for approx. 7 hours, until the morning of the April 14, 2024. Therefore, the Company made adjustments to its flight schedule to help the Company's customers whose flights were affected by the closure of the airspace.

As part of the aforementioned, the Company published a flexible change and cancellation policy for flights whose departure date was between April 13, 2024 and May 4, 2024 and allowed changes to the flight date, including an advance or postponement, without change fees and without price differences, provided that the new departure date is by May 4, 2024 and the change is to the same service department and in the same geographic area. In addition, receipt of a credit voucher was made possible for those who requested a cancellation of the ticket, for all types of tickets, including LITE tickets (except classic bonus tickets and group tickets). In addition, in order to provide passengers whose flights were canceled or changed by the foreign companies, due to the aforementioned attack, with an alternative solution for their flights, the Company published a uniform price list for its flights.

In accordance with the development of the War, and the accompanying security events, the Company continues to prepare for maintaining functional continuity, including the operation of its flights from alternative airports, as the need arises.

[1] The figures are the forecast gross sales data, including port taxes attributed thereto, and including sales of vouchers, credits and frequent flyer points. It should be noted that the revenue from these sales will not be recognized before the related flight date, whenever it may be.
Some of the ticket sales can be changed by the customers as a cancellation or change of the ticket.
[2] The rate of future sales constitutes part of the sales that were sold in the reporting period for flights that will take place after the period.

Donations

It should be noted that during the reporting period and until a date close to the approval of the report, the Company continues to carry out operations to aid the war effort, whether through donations, flying representatives from the headquarters of the families of the abductees, the "Flying with the Flag" campaign to fly IDF soldiers in regular service and reserves through coupons distributed by the Company and more.

Information and cyber security-related measures

Further to the description in the periodic report, in general, the Company manages cyber risks in routine and emergency situations. In view of the continuation of the War, and against the backdrop of increasing cyber attacks against Israeli companies, the Company continues to invest additional resources in information and cyber security. The Company continues to carry out additional measures to increase emergency preparedness in technological aspects and to raise the awareness, vigilance and alertness of its employees regarding information and cyber security. In addition, the Company continues to carry out regular internal monitoring and control in the field while maintaining reporting continuity to the Company's management. For information regarding the cyber risks that apply to the Company and its ways of dealing with these risks, see Section 8.16.6 of the "Description of the Corporation's Business" chapter in the 2023 periodic report.

Some of the above information constitutes forward-looking information, within the meaning of the Securities Law. Such forward-looking information does not constitute a proven fact and is based on the information available to the Company and on its assessments to the best of its judgment as of a date close to the approval of the report. The existence of some of the conditions depends on the existence of events beyond the Company's control, including the realization of some of the risk factors listed in Section 8.16 of the "Description of the Corporation's Business" chapter in the 2023 periodic report, which may result in this information not occurring or occurring in a materially different manner from the Company's estimates.

For additional information regarding the implications of the War on the Company's activities, see Note 1 to the financial statements.

Update regarding implementation of the Company's business strategy

On February 26, 2023, the Company's Board of Directors approved a strategic plan for the years 2023-2028 - Rising Above & Beyond, as updated in the 2023 periodic report[3].

It should be noted that as of the date of publication of the report, there were no material changes in the Company's strategic plan due to the War, including the planned equipping of aircraft. The Company will examine the need to update its strategic plan during 2024, in accordance with the business developments. In addition, the following are several updates regarding the strategic plan.

- Expansion and renewal of the aircraft fleet
  For details, see Chapter A.2.3 below.

- Expanding the route network
  The Company is making adjustments in its destination mix against the backdrop of the War and in accordance with market demands and the Company's business needs. In the meantime, the Company has increased the frequency of flights on its core routes, including routes to North America, Europe and the Far East, alongside a suspension of activity on other routes. The Company also continues to develop the network of routes to nearby vacation destinations through Sundor.

- Capital raising
  During April 2024, the Company raised capital through the issuance of a package that includes shares and options. The total proceeds received for the issuance of the shares and the options amounted to a total of approx. NIS 511 million (approx. USD 140 million), as detailed in Note 8 to the financial statements. The capital raising is expected to result in positive Company capital in the second quarter of 2024, for the first time since December 2019.
  During May 2024, subsequent to the date of the statement of financial position, trading commenced in the Company's shares in the TA-125 index.

- Alliances and partnerships
  Starting in January 2024, the Company operates code share flights with Delta Airlines according to the agreement signed during 2023 which also includes a clubs sharing agreement.

[3] For an explanation of the Company's business strategy, see Section 8.15 of the "Description of the Corporation's Business" chapter in the 2023 Periodic Report.

In the first quarter of 2024, the Company signed a code share agreement with Air France. The agreement enables each company to sell flight tickets with its flight code on flights operated by the other company between Tel Aviv and Paris and between Tel Aviv and other destinations in France.

- **Data regarding the activity of Frequent Flyer Program members as of March 31, 2024 and December 31, 2023:**

	For the three-month period ended March 31, 2024	For the year ended December 31, 2023
Number of Frequent Flyer Program members (in thousands)*	3,018	2,847
Number of "Flycard" credit cards (in thousands)	390	383
Identified purchase rate of Frequent Flyer Program members[4]	50.5%	40.8%

* It should be noted that in accordance with the Company's strategic plan targets, the number of members at the end of 2028 has been set at 3 million, and as of March 31, 2024, the Company had already met this target.

- **Tourism**
  For information, see Note 9.C to the financial statements.

- **ESG**
  During the first quarter of 2024, the Company published a corporate responsibility report (ESG report) in accordance with the Global Reporting Initiative (GRI) reporting standards for 2022. During 2024, the Company intends on publishing an ESG report for 2023. During the first quarter of 2024, the Company began working to implement the IEnvA program of the global IATA organization, which is based on the ISO 14001 standard, the leading international standard for environmental management of companies, as part of its desire to minimize the carbon footprint and contribute to global sustainability efforts. It should be noted that during the first quarter of 2024, another external director was appointed to the Company's Board of Directors.

The Company's assessments regarding the implementation of its business strategy and various related measures constitutes forward-looking information, within the meaning of the Securities Law. Such forward-looking information does not constitute a proven fact and is based on the information available to the Company and its assessments are in the best of its judgment as of a date close to the approval of the report. These assessments largely concern third parties and their activities, over which the Company has no control, and depend on the occurrence of events beyond the Company's control. The non-materialization or the different (and even materially different) than expected materialization of the forward-looking information, may also be caused by the materialization of any of the risk factors that characterize the Company's activities, as detailed in Section 8.16 of the "Description of the Corporation's Business" chapter in the 2023 periodic report, as well as from developments in the economic environment in which the Company operates.

[4] The identified purchase rate of Frequent Flyer Program members is calculated according to the ratio of the Company's revenues from flights associated with Frequent Flyer Program members to the Company's total revenues from flights.

A. Board of Directors' Explanations regarding the State of the Corporation's Business

A.1. Main data

In the context of the business reality against the backdrop of the War, as explained above, in order to analyze the changes in the Company's business development in the current quarter, the Company performed an analysis of the main results also in relation to the previous quarter, which is characterized by more similar characteristics and business environment.

The following are the main data for the first quarter of 2024 compared to the previous quarter and compared to the corresponding quarter last year (in USD millions):

	Q1 2024	Percent of turnover	Q1 2023	Percent of turnover	Q4/2023	Percent of turnover
Operating revenue	738.0	100.0%	500.0	100.0%	677.8	100.0%
EBITDA	185.0	25.1%	49.7	9.9%	151.8	22.4%
EBITDAR	195.7	26.5%	60.2	12.0%	161.0	23.8%
Profit (loss) before taxes on income	99.8	13.5%	(25.8)	(5.2%)	39.8	5.9%
Net profit (loss) for the period	80.5	10.9%	(34.4)	(6.9%)	39.7	5.9%
Cash flows from operating activities	375.7		68.8		175.3	
Cash and deposits available for use at end of period	723.4		242.6		405.7	

Comparison to the corresponding quarter last year and to the previous quarter:

- Revenues for the current quarter totaled approx. USD 738.0 million. The increase in operating income compared to the corresponding quarter of last year in the amount of approx. USD 238.0 million is due to an increase of approx. USD 40.3 million in cargo activity, and the rest from passenger activity, and in the supply of kilometer weighted seats (ASK) there is an increase compared to the corresponding quarter last year of approx. 15.1%, with the continued building of production capacity since the exit from the Corona crisis. There was an increase in revenue per seat (RASK) of approx. 29.5%, which stemmed from a significant and exceptional increase in the load factor to a level of approx. 92.6% and an increase in revenue per passenger km (RRPK). This is against the backdrop stated above in the introduction to the Board of Directors' Report, according to which the Company experienced levels of demand throughout the current quarter that the Company has experienced in peak seasons, compared to the corresponding quarter last year which was characterized by normal winter seasonality.
  Compared to the previous quarter, there was an increase of approx. USD 60.2 million, mainly due to the increase in the load factor as explained below.

- The pre-tax profit for the first quarter of 2024 amounted to approx. USD 99.8 million compared to a pre-tax loss of approx. USD 25.8 million in the corresponding period last year, and compared to a profit of approx. USD 39.8 million in the previous quarter, which is an improvement of approx. USD 125.6 million compared to the corresponding quarter last year and of approx. USD 60.0 million compared to the previous quarter. This is due to several key cumulative factors, as follows:

  - **Volume of activity:** Throughout the year that has passed since the end of the first quarter of 2023, the Company has continued the trend of building its production capacity following the exit from the Corona crisis, including continuing the training of pilots and aircrews, the absorption of employees, the absorption and return to operation of aircraft, etc., all in accordance with the Company's strategic plan and its business plans. In view of this, the number of seats (weighted by the distance flown - ASK) offered by the Company increased by approx. 15% compared to the corresponding quarter last year, which led to the Company's estimate of an increase of approx. USD 10 million in the Company's profitability compared to the same period. Compared to the previous quarter, there is an increase of approx. 4.2% in the ASK index. In this context, it should be noted that the Company is operating at the full possible capacity considering the limitation of production capacity with the continued recovery and building of this production capacity since the exit from the Corona crisis.

  - **Load factor:** The load factor in the current quarter, in view of the explanations in the above introduction to the Board of Directors' Report, increased and reached extremely high levels of approx. 92.6%, compared to the load factor of approx. 85.3% in the corresponding quarter last year, which led to the Company's estimate of an increase of approx. USD 49 million in the Company's profitability compared to the same period.
    In the previous quarter, the load factor was approx. 84.2%, with the increase in the load factor compared to the previous quarter being the main reason for the improvement in profitability compared to the same period. The increase in the load factor materially increased the revenue per km weighted seat (RASK).

- **Revenue per kilometer weighted seat (RASK):** An increase in RASK at a rate of approx. 30% compared to the corresponding quarter last year, due to the increase in the load factor, as mentioned above, and an increase in the revenue per passenger kilometer rate (RRPK) against the backdrop of increased demand in relation to the supply of seats that the Company is able to provide, which resulted in demand levels similar to peak periods as detailed above. This trend was also influenced, in particular against the backdrop of the high load factor on flights, by the purchase of the last "marginal" seats, which are usually sold at higher prices. In addition, the trend was affected by the change in the destination mix with the Company concentrating its activities in central destinations where the demand (in the absence or reduction of the activity of foreign airlines) is higher and due to the nature of the sales activity at the present time which usually takes place closer to the date of the flight compared to routine periods.
  In relation to the previous quarter, there was an increase in RASK at a rate of approx. 7.8% mainly as a result of the increase in the load factor, as mentioned above.

- **Cargo:** Due to the cancellations of foreign airlines' flights and in view of the decrease in demand for maritime transport to Israel due to the geopolitical situation in the Red Sea, there has been a significant reduction in the capacity offered for transporting cargo to and from Israel, which has resulted in a significant increase in the demand for flying cargo on the Company's aircraft, both in the belly of passenger aircraft and in cargo aircraft. In view of this, cargo revenues in the current quarter totaled approx. USD 75.7 million, constituting an increase of approx. USD 40.4 million compared to the corresponding quarter last year, which the Company estimates has led to an increase in profitability in the amount of approx. USD 27 million. Compared to the previous quarter, there was no significant change in cargo activity.

- The cash flow from operating activities for the current quarter is higher than the corresponding quarter last year and the previous quarter in view of the increase in the Company's profit before income taxes as a result of an improvement in business results, and in view of an improvement in the building of the company's working capital, which is mainly influenced by advance sales of flight tickets for the demand seasons.

- Compared to the previous quarter, there was an improvement in the Group's financing expenses in the amount of approx. USD 24.0 million, mainly as a result of an increase in interest income from deposits, due to the increase in the amount of deposits from exchange rate differences (see Section A.3 below), from exceptional expenses recorded in this item in the previous quarter in respect of derivative valuations, etc., and as a result of a decrease in interest expenses (net) in the current quarter due to the continued decrease in the Group's financial debt. In relation to the corresponding quarter, there was an improvement of approx. USD 13.4 million in financing expenses, which was offset by the worsening in the other expenses (income) item due to a positive revaluation of the phantom option at that time, as detailed in Note 9.C to the annual financial statements.

A2. Overview of development in the business environment and operational metrics

A.1.2. Overview of the business environment in which the Company operates

For the three-month period ended March 31, 2024:

The IATA assessment published in April 2024 refers to the expected increase in passenger demand and the level of global traffic in the coming years. The expected increase in the number of passengers around the world (per year compared to the previous year) is as follows: 10.4% in 2024, 8.0% in 2025, 6.1% in 2026 and 4.7% in 2027.

IATA's assessment regarding the global aviation industry, including the expected increase in passenger demand, is forward-looking information as defined in the Securities Law. This information is not based on the Company's assessments and is based solely on IATA's assessment. IATA's assessment is based, among other things, on the trends of change in the aviation and tourism industry in recent years and the developments expected therein, as well as in view of the economic, security and geopolitical situation in Israel and around the world. Nevertheless, the actual data may differ significantly from the assessment listed as a result of a large number of factors, including changes in the economic, security and geopolitical situation in the world, materialization of any of the risk factors relevant to the Company and its operations.

Ben Gurion Airport passenger traffic and market share[5]:

The following tables describe the development and breakdown of passenger traffic at Ben Gurion Airport in the reporting periods, divided between outbound residents and inbound tourism and according to geographical regions.

In the first quarter of 2024, against the backdrop of the gradual return to activity of some foreign companies to and from Israel, there was an increase of approx. 5.7% in passenger traffic at Ben Gurion Airport compared to the previous quarter, reflecting a recovery of the general demand for flights at Ben Gurion Airport, which had decreased significantly with the outbreak of the War. Despite the recovery, traffic still reflects a sharp drop of approx. 56.8% compared to the corresponding quarter last year. See also the introduction to the Board of Directors' Report above.

It should be noted that in the outgoing residents traffic and in the incoming tourists traffic, there was an increase compared to the previous quarter and a sharp decrease compared to the corresponding quarter last year, while in the incoming tourists traffic the decrease is very sharp.

As detailed in the above introduction to the Board of Directors' Report and in Section A.1 above, despite the decrease in general demand and in view of the departure of most of the foreign airlines from Ben Gurion Airport and their measured and gradual return, the demand for the Company's flights significantly exceeds the supply of seats that the Company is able to provide.

Regarding the Company's market share at Ben Gurion Airport, the following table shows that in the first quarter of 2024 the market share increased by approx. 3.1% compared to the previous quarter. However, it should be noted that the market share in the previous quarter was affected by the first week of October when there was peak activity at Ben Gurion Airport, of the Company and of the foreign airlines. In the period between October 8, 2023 and the end of the year (that is, the fourth quarter of 2023, excluding the first week), the Company's market share was approx. 72.0% percent, a higher figure than the Company's market share in the first quarter of 2024, which reflects the foreign airlines' pace of return to the market. Compared to the corresponding quarter last year, the market share increased by approx. 39.9%.

For information regarding the passenger traffic at Ben Gurion Airport and the Group's market share in the first quarter of 2024, see below.

Passenger traffic at Ben Gurion Airport - Inbound tourists to Israel and outbound residents[6]

		Q1 2024	Q1 2023	Q1 2024 Vs. Q1 2023	Q4 2023	Q1 2024 Vs. Q4/2023
Ben Gurion Airport passenger traffic	Millions of flight segments	2.2	5.1	(56.8%)	2.1	5.7%
Outbound residents from Israel	Millions of passengers	1.0	1.8	(47.0%)	0.8	25.3%
Inbound tourists to Israel	Millions of passengers	0.2	0.8	(76.8%)	0.2	17.6%

[5] The rates of change presented in the tables "Passenger traffic at Ben Gurion Airport - Inbound tourists to Israel and outbound residents" and "Traffic of significant competitors" are compared to the corresponding quarter last year and to the previous quarter.

[6] Outbound residents – by air only. Inbound tourists – by air and without day visitors as defined by the Central Bureau of Statistics.

Passenger traffic (direct flights[7]), in millions of passenger segments, by geographic region[8]

Region	Q1 2024	Q1 2023	Q4 2023
Trans Atlantic	0.3	0.6	0.3
Europe	1.6	3.8	1.5
Middle East and Africa	0.2	0.6	0.2
Far East	0.1	0.2	0.1
Total	**2.2**	**5.1**	**2.1**

The Company's market shares by geographical region[9]

Region	Q1 2024	Q1 2023	Q4 2023
Trans Atlantic	94.4%	35.8%	88.6%
Europe	59.7%	19.4%	56.8%
Middle East and Africa	16.5%	17.6%	18.4%
Far East	81.6%	53.4%	72.5%
Market share of El Al and Sundor	**62.0%**	**22.1%**	**58.9%**

Distribution of passengers at Ben Gurion Airport, by type of company[10]

Type	Q1 2024	Q1 2023	Q4/2023
El Al and Sundor	62.0%	22.1%	58.9%
Scheduled companies (not including El Al)	27.4%	41.7%	25.2%
Low cost companies	9.7%	34.8%	12.6%
Charter companies (not including Sundor)	0.9%	1.4%	3.2%

[7] These data are based on the Airports Authority data. These data are broken down according to the direct flight destination and do not reveal the final destination of the passenger in the case of "Freedom Friday" flights.

[8] The regions indicated in the table also include destinations to which the Company does not fly. The regional breakdown has changed, and has mostly been adapted to the methodology according to which IATA operates, among other things, in view of new destinations to which the Company flies, and now reflects the following four regions: "Trans-Atlantic" (including the countries of North and South America), "Europe", "Middle East and Africa" and "Far East".

[9] The regions indicated in the table also include destinations to which the Company does not fly. Calculation of the market shares is based on both El Al and Sundor flights.

[10] The companies are classified at the Company's discretion, since as of a date close to the approval of the report there is no unequivocal definition regarding their classification.
Information regarding the distribution of passenger traffic is based on IAA data.

Traffic of significant competitors[11]

Airline	Type of company	Market share at Ben Gurion Airport in Q1/2024	Passenger traffic in Q1/2024 (thousands)	Passenger traffic in Q1/2023 (thousands)	Change in passenger traffic in Q1/2024 compared to Q1/2023	Passenger traffic in Q4/2023 (thousands)	Change in passenger traffic in Q1/2024 compared to Q4/2023
El Al and Sundor	Scheduled	62.0%	1,361.9	1,121.3	21.5%	1224.7	11.2%
Israir	Scheduled	7.7%	169.9	165.4	2.7%	166.3	2.2%
Arkia	Scheduled	5.2%	113.4	134.0	(15.4%)	86.0	31.8%
Flydubai	Low cost	4.2%	91.4	91.1	0.3%	42.5	115.0%
Blue Bird	Low cost	2.1%	45.3	37.4	21.1%	32.2	40.7%
Austrian Airlines	Scheduled	1.7%	36.6	51.0	(28.2%)	5.3	597.6%
Lufthansa	Scheduled	1.5%	32.3	130.0	(75.1%)	11.1	191.3%
Aegean Airlines	Scheduled	1.4%	31.8	69.5	(54.3%)	11.8	168.7%
Wizz Air	Low cost	1.4%	31.6	618.4	(94.9%)	46.4	(32.0%)
Ethiopian Airlines	Scheduled	1.4%	30.8	34.1	(9.7%)	15.9	92.9%
Swiss Airlines	Scheduled	1.1%	25.1	58.0	(56.7%)	4.6	445.6%
Air France	Scheduled	1.1%	23.2	80.1	(71.0%)	7.8	198.6%

[11] The market share information is based on IAA data. It should be clarified that some of the companies also operate flights to Israel from destinations other than their destinations of origin. The selected companies are the Company's leading competitors as of the reporting year. Meanwhile, companies that are added or deleted from time to time are updated due to a substantial increase in the volume of activity.

Ben Gurion Airport cargo traffic

Due to the cancellation of passenger flights by the foreign companies, there has been a significant reduction in the capacity offered to transport cargo to and from Israel. At the same time, cargo aircraft flight activity has increased by more than 30% (especially CAL, EAT and Silk Way) compared to the corresponding quarter last year. This increase led to a moderate decrease of only approx. 7.8% in cargo traffic at Ben Gurion Airport compared to the corresponding quarter last year.

The following table presents the cargo traffic at Ben Gurion Airport with a breakdown between exports and imports:

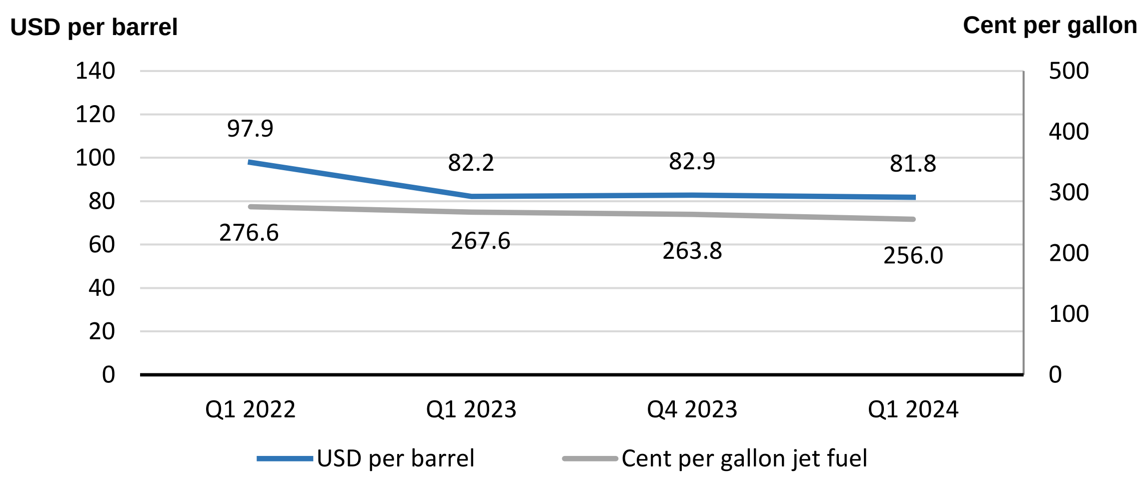
Ben Gurion Airport cargo traffic – Imports and exports[12]

Type		Q1 2024	Q1 2023	Q1 2024 Vs. Q1 2023	Q4 2023	Q1 2024 Vs. Q4 2023
Total cargo	Thousands of tons	84.6	91.8	(7.8%)	76.0	11.3%
Cargo imports	Thousands of tons	53.8	55.6	(3.2%)	47.3	13.7%
Cargo exports	Thousands of tons	30.8	36.2	(14.9%)	28.7	7.3%

Jet fuel:

Jet fuel prices in the first quarter of 2024 were approx. 4.3% lower than jet fuel prices in the corresponding quarter last year. This is in view of the stabilization of prices after the price increase that occurred in 2022 following a quick return to activity and in view of the effect of the geopolitical situation in relation to the Russia-Ukraine war that began during the month of February 2022. The Company is acting to offset the effect of the increase in jet fuel prices, among other things, by adjusting the sale prices and executing hedging transactions according to the Company's available facility amount and in accordance with the Company's hedging policy. For additional information regarding the effect of the change in jet fuel prices on the Company's results, see Section A.3 below.

Development of the price of jet fuel and the average crude oil in the market[13]



[12] These data constitute the Company's assessment based on an analysis of the Israel Airports Authority data. The data include cargo transported in cargo aircraft and in the belly of passenger aircraft.
[13] Source: the Bloomberg system

Exchange rates:

The following table presents the average NIS/USD exchange rates, NIS/USD closing rates and JPY/USD closing rates for each quarter in 2022-2023 and in the first quarter of 2024. In the first quarter of 2024, the USD strengthened against the NIS by an average of approx. 3.6% compared to the corresponding quarter last year. The average exchange rates have an effect on the Company's NIS expenses, mainly on salaries. The strengthening of the average exchange rate of the USD against the NIS has a positive effect on the results of the Company's operations. While the Company's revenues are mainly in USD, the salary expenses and other NIS expenses are mainly in NIS.

As of March 31, 2024, the exchange rate of the NIS against the USD was approx. 3.68, compared to a rate of approx. 3.62 as of March 31, 2023, which reflects the strengthening of the USD against the NIS by approx. 1.7%. These exchange rates have an effect on the Company's balance sheet that are denominated in NIS. For additional information regarding the effect of the JPN, including on several loans taken by the Company in that currency, see Chapter B below regarding the exposure and management of market risks.

The following is the development of the closing and average exchange rates of the NIS against the USD, as well as the JPY/USD closing rates in the last two years:

Development of NIS/USD exchange rate:

	NIS/USD average exchange rate	NIS/USD closing exchange rate	JPY/USD closing exchange rate
Q1/2022	3.20	3.18	121.83
Q2/2022	3.35	3.50	136.39
Q3/2022	3.40	3.54	144.32
Q4/2022	3.49	3.52	131.95
2022	3.36		
Q1/2023	3.54	3.62	133.55
Q2/2023	3.65	3.70	144.63
Q3/2023	3.75	3.82	149.03
Q4/2023	3.82	3.63	141.48
2023	3.69		
Q1/2024	3.66	3.68	151.27

A2.2. OPERATIONAL INDICATORS[14]

For the three-month period ended March 31, 2024:

The following is a breakdown of the Group's operating indices. See also the introduction to the Board of Directors' Report above and Section A.1 above regarding the main data.

	Q1 2024	Q1 2023	Q1 2024 Vs. Q1 2023	Q4 2023	Q1 2024 Vs. Q4 2023
Volume of activity and passenger traffic:					
Scheduled passenger segments and wages (paying passengers) - in thousands	1,335	1,098	21.6%	1,192	12.0%
Total market share - in percentages	62.0%	22.0%	181.8%	58.9%	5.3%
Available seat kilometers (ASK) - in millions	6,303	5,474	15.1%	6,049	4.2%
Revenue passenger kilometers (RPK) - in millions	5,838	4,672	25.0%	5,095	14.6%
Passenger load factor (PLF) - in percentages	92.6%	85.3%	8.5%	84.2%	10.0%
Flight hours (on passenger flights) - in thousands	38.7	34.7	11.4%	36.5	5.9%
Cargo traffic:					
Tons of airborne cargo - in thousands	24.9	17.8	40.2%	22.3	11.8%
Revenue ton kilometers (RTK) - in millions	140.7	103.7	35.8%	129.3	8.9%
Profitability indices:					
RRPK	11.3	9.5	19.2%	11.5	(1.9%)
RASK	10.5	8.1	29.5%	9.7	7.8%
TRASK	11.7	9.1	28.2%	11.2	4.5%
CASK	9.8	9.2	6.4%	9.8	0.1%
CASK without fuel	7.5	6.8	9.9%	7.3	1.6%

Legend

Passenger segment	One-way flight voucher.
Revenue Passenger Kilometer – RPK	The number of paying passengers multiplied by the flight distance.
Available Seat Kilometer – ASK	The number of seats offered for sale multiplied by the flight distance.
Passenger Load Factor – PLF	Passenger load factor RPK/ASK.
RRPK - Average Revenue to RPK.	Reflects the average revenue per paying passenger, weighted for km.
RASK – Revenue per ASK	Passenger Revenues divided by ASK. Reflects the average revenue per seat, weighted for km.
Cost per ASK – CASK	Expenses[15] divided by ASK. Reflects the average cost per seat, weighted for km.
Total revenue per ASK – TRASK	Total Revenue divided by ASK. Reflects the Company's total revenues per seat, weighted for km.
Revenue Ton Kilometer – RTK	The weight of paid air cargo in tons multiplied by the flight distance.

[14] It should be noted that the operational indicators included in this note also include flights operated by aircraft on a "wet" lease (a lease of an aircraft with its crew).

[15] Without certain other expenses (income), such as: capital gains and phantom option revaluation.

A.2.3. PRODUCTION CAPACITY- AIRCRAFT FLEET

The following table presents the size of the Company's fleet as of the date of the report (as of March 31, 2024) and its development between the reporting periods:

Aircraft fleet (passenger and cargo):	Q1 2024	Q1 2023
Number of aircraft at the end of the period - in units	47	45
Number of reconditioned aircraft at the end of the period - in units	44	40
Average age of the aircraft fleet at the end of the period - in years	13.1	12.1

The following table presents the breakdown of the above aircraft fleet and the types of aircraft (not including aircraft on a wet lease) as of March 31, 2024:

Aircraft fleet:	Type of aircraft	Number of seats for aircraft type (average)	Aircraft in use	Aircraft not in use	Total	Average age	Ownership	Lease
737-800	Passenger - Narrow body	169	15	1	16	19.5	6	10
737-900	Passenger - Narrow body	175	8	-	8	9.2	8	-
777-200	Passenger - Wide body	290	4	2	6	20.8	6	-
8-787 (Dreamliner)	Passenger - Wide body	238	4	-	4	3.4	4	-
9-787 (Dreamliner)	Passenger - Wide body	271	12	-	12	5.5	4	8
737-800	Cargo - Narrow body	-	1	-	1	21.9	-	1
Total			**44**	**3**	**47**	**13.1**	**28**	**19**

The following are operations carried out in the first quarter of 2024 and other operations the Group intends to carry out regarding its aircraft fleet and the relevant background:

- Further to Section A.2.3 of the Board of Directors' Report attached to 2023 periodic report, according to the aircraft manufacturer Boeing, the 17th 787 aircraft is expected to be received by the Company during the second half of 2024. The 18th 787 aircraft is expected to be received by the Company during the second half of 2025, and the 19th 787 aircraft is expected to be received by the Company in the first half of 2026.

- In April 2024, the Company signed an agreement with Boeing for the purchase of three Boeing 787 aircraft (aircraft 20-22), which are expected to be received in 2029-2030 with an option for up to six additional aircraft which are expected to be received after 2030 and depend, among other things, on the date of exercise of each option to the extent it is exercised. For information, see the Company's immediate report dated April 24, 2024 (Ref: 2024-01-040519) and Note 3 to the financial statements.

- During the second quarter of 2023, the Company launched a campaign to examine the replacement and renewal of the narrow-body aircraft fleet in the coming years. Further to the Company's request to the aircraft and engine manufacturers to submit proposals (RFP), as of the date of publication of the report, the Company is examining proposals it has received and is negotiating with aircraft manufacturers regarding their proposals.

- The Company is continuing the project of retrofitting Boeing 777 aircraft so that the interior of the aircraft will have the configuration of the 787 (Dreamliner) aircraft, which increases the number of seats to 313 and improves the customer experience.

- The Company continues to prepare the fleet of aircraft that are not in use so that by the end of the year all aircraft are expected to return to operation except for one Boeing 777 aircraft. For additional information, see Note 3 to the financial statements.

- The Company's flight hour production capacity is limited, among other things, due to the recruitment, training and number of aircraft and air crew members, who are required according to the RTA regulations to comply with the monthly and annual flight hour limitations set forth in Regulation 465A of the Aviation Regulations (Operation of Aircraft and Flight Rules), 1981. Since the outbreak of the War, and against the backdrop of its continuation, some of the Company's pilots have been called up for reserve duty from time to time, and in order to allow the Company to maintain functional continuity and to keep Israel's air routes open as much as possible, several adjustments have been made with the RTA regarding the limit on hours until the end of 2024. As long as the War continues, so that some of the Company's pilots continue to be drafted into the reserves, and given the limit on hours, this may affect the Company's production capacity beyond the end of 2024.

Wet leases:

- In May 2024, the Company signed an agreement with a foreign lessor for the operation of two Boeing 737-800 aircraft on a wet lease for a period of one year starting in May 2024.

The aforementioned regarding the reconditioning of the preserved fleet, the reconfiguration of some of the aircraft, the dates of receipt of the additional aircraft, the exercise of the option in the agreement with Boeing and regarding the limited production capacity constitute forward-looking information, within the meaning of the Securities Law, based on the Company's current estimates, with these estimates depending to a great extent on third parties and their activities, as well as on the occurrence of events beyond the Company's control. The non-realization or the different (and even substantially differently) then expected realization of the forward-looking information, may also be caused as a result of realization of one of the risk factors which characterize the Company's operation, as detailed in Section 8.16 of the "Description of the Corporation's Business" chapter in the 2023 periodic report, as well as from developments in the economic environment in which the Company operates.

A.3. Analysis of the Company's business results –

For the three-month period ended March 31, 2024:

The Company's statements of profit and loss are presented below, including the rate of turnover and the rate of change compared to the corresponding period last year, as well as the main factors that affected the Company's results in the reporting period compared to the corresponding period last year:

	Q1 2024		Q1 2023		Q1 2024 Vs. Q1 2023	
	USD millions	% of revenue	USD millions	% of revenue	USD millions	%
Operating revenue	738.0	100.0%	500.0	100.0%	238.0	47.6%
Operating expenses:						
Fuel	147.3	20.0%	132.7	26.5%	14.6	11.0%
Salaries and related expenses	163.9	22.2%	123.9	24.8%	40.0	32.2%
Airport fees and services and air transit fees	75.7	10.3%	61.8	12.4%	13.9	22.6%
Maintenance	29.2	4.0%	21.9	4.4%	7.3	33.3%
Food, passenger service and other operating costs	47.6	6.5%	40.7	8.1%	6.9	17.0%
Marketing and distribution expenses	46.6	6.3%	33.6	6.7%	13.0	38.8%
Depreciation and amortizations	64.9	8.8%	54.6	10.9%	10.3	18.8%
Rentals	10.7	1.4%	10.4	2.1%	0.2	2.1%
Computing and HQ expenses	32.0	4.3%	25.3	5.1%	6.7	26.5%
Other income, net	(0.0)	0.0%	(12.9)	(2.6%)	12.9	(100.0%)
Total operating expenses	617.8	83.7%	492.0	98.4%	125.8	25.6%
Operating profit	120.2	16.3%	8.0	1.6%	112.2	1396.2%
Financing expenses, net	20.4	2.8%	33.8	6.8%	(13.4)	(39.8%)
Profit (loss) before taxes on income	99.8	13.5%	(25.8)	(5.2%)	125.6	(487.2%)
Tax expense	(19.3)	(2.6%)	(8.6)	(1.7%)	(10.7)	124.2%
Net profit (loss)	80.5	10.9%	(34.4)	(6.9%)	114.9	(334.2%)

Operating revenue

Operating revenue increased in the reporting period compared to operating revenue in the corresponding period last year by approx. USD 238.0 million, approx. 47.6%. Revenue from passenger flights in the first quarter of 2024 increased by approx. 43.5% compared to the corresponding period last year (approx. USD 196.6 million). Also, revenues from cargo in the first quarter of 2024 increased by approx. 114.1% compared to revenues from cargo in the corresponding period last year (approx. USD 40.3 million).

The main reasons for the increase in revenue from passengers are as follows:

- An increase in the supply of kilometer weighted seats (ASK) compared to the corresponding quarter last year of approx. 15%, with the continued building of production capacity since the exit from the Corona crisis.
- An increase in revenue per seat (RASK) of approx. 29%, which stemmed from a significant and exceptional increase in the load factor to a level of approx. 92.6% and an increase of approx. 19% in revenue per passenger km (RRPK). Regarding this matter, see the above introduction to the Board of Directors' Report regarding the characteristics of the business environment at this time compared to the corresponding period last year.

Regarding the flying of cargo, until the outbreak of the War, there has been a certain decrease in demand due to growth in the belly capacity of passenger aircraft due to the recovery from the Corona crisis and against the backdrop of a significant decrease in sea transport prices. Since the outbreak of the War, there has been a significant increase in air cargo revenues due to the rising demand for the Company’s cargo flights, whether in the belly of passenger aircraft or in cargo aircraft, including as a result of the reduced capacity and cessation of flights by some foreign companies. Moreover, the addition of a Boeing 737-800 cargo aircraft starting in October 2023 also led to an increase in the Company's cargo activity in the first quarter compared to the corresponding quarter last year. It should be noted that despite the cessation of activity of some of the foreign airlines, there is still a high supply of cargo flights, including from airlines that operate flights with cargo planes.

Operating expenses

Operating expenses in the reporting period amounted to approx. USD 617.8 million, which constitutes an increase of approx. USD 125.8 million (approx. 25.6%) compared to the corresponding period last year, mainly as a result of the increase in activity.

The following are some of the main points:

- Salary expenses amounted to approx. USD 163.9 million in the current quarter, which constitutes a rate of approx. 22.2% of the turnover (compared to a rate of approx. 24.8% in the corresponding period last year).
  Total salary expenses increased compared to the corresponding period last year by approx. USD 40.0 million as a result of the increase in the Company's volume of activity, the effect of the salary agreements signed with the Company's employees and an increase in the effective number of personnel (including due to the recruitment of some of the Company's employees for active reserve duty due to the War and due to adjustments the Company was required to carry out in relation to additional work hours in accordance with the directive of the National Security Council to shorten the stay abroad).

- In the fees and airport services items and in the food and passenger service items there was an increase of approx. USD 13.9 million and approx. USD 6.9 million, respectively, compared to the corresponding period last year due to the increase in activity and in the load factor, and due to the price increases that occurred in the macroeconomic environment.

- There was an increase of approx. USD 13.0 million (38.8%) in the marketing and distribution item compared to the corresponding period last year despite the rate of these expenses having decreased somewhat compared to the corresponding period last year. The distribution expenses increased due to the increase in the volume of sales and orders, which lead to an increase in the commission expenses for agents and credit cards, and an increase in the amounts paid to the various distribution systems. On the other hand, there was a decrease in marketing expenses stemming from a decrease in the Company's marketing and digital activities during the War.

- There was an increase of approx. USD 10.3 million (18.8%) in the depreciation and amortizations item compared to the corresponding period last year. This was mainly due to the increase in the Company's activity (which resulted in an increase in the consumption of spare parts and engine hours) and to the increase in the number of aircraft and flight equipment compared to the corresponding quarter last year.

- Headquarters costs increased compared to the corresponding period last year by approx. USD 6.7 million (approx. 26.5%), mainly due to an increase in the provision for lawsuits, an increase in the costs of information systems as part of the Company's investment in this area and an increase in costs for training in the building of production capacity.

- The other revenues in the amount of approx. USD 12.9 million in the corresponding quarter last year (compared to zero in the current quarter) resulted from the recognition at that time of a positive valuation regarding the "phantom" option (see Note 9.C to the annual financial statements).

Jet fuel expenses

The Company's jet fuel expenses in the first quarter of 2024 increased by approx. USD 14.6 million (approx. 11.0%) compared to the jet fuel expenses in the corresponding period last year due to the increase in consumption consistent with the increase in activity and in view of the effect of the War, which resulted in the Company carrying higher quantities of fuel and flying longer routes, which resulted in an increase in fuel consumption beyond what is required for the increase in activity, and this was despite the decrease in fuel prices compared to the corresponding period last year.

	Q1 2024	Q1 2023	Q1 2024 Vs. Q1 2023
Jet fuel expenses for the period (before the effect of hedging)	145.8	131.7	14.1
Effect of jet fuel hedging transactions on operating profit	1.5	1.0	0.5
Total jet fuel expenses	**147.3**	**132.7**	**14.6**
Jet fuel quantity consumed (in millions of gallons)	**53.0**	**44.1**	**8.9**

For additional information regarding the hedging of jet fuel prices, see Chapter B below. For additional information regarding the effect of derivative financial instruments on the financial statements, see Note 4 to the financial statements.

Operating profit

The operating profit for the first quarter of 2024 amounted to approx. USD 120.2 million - a high amount compared to the operating profit for the corresponding quarter last year in the amount of approx. USD 112.2 million. Regarding the concentration of the main factors that affected the Group's profitability in relation to the corresponding quarter last year, see Section A.1 above.

Financing expenses

Net financing expenses amounted to approx. USD 20.4 million, compared with approx. USD 33.8 million in the corresponding period last year - a decrease of approx. USD 13.4 million. The decrease in financing expenses is mainly due to an increase in interest income from deposits in the amount of approx. USD 3.5 million and due to exchange rate differences in view of the weakening of the JPY against the USD for the loans denominated in JPY, and also as a result of a decrease in interest expenses compared to the corresponding period last year (see also Chapter B below), in view of the decrease in the balance of loans taken compared to the corresponding period last year.

Taxes on income

Income tax expenses in the first quarter of 2024 amounted to approx. USD 19.3 million, slightly below the Group's theoretical tax rate. In view of the fact that the Group recognizes a deferred tax asset for its losses carried forward, the Group approximately recognizes tax expenses according to the applicable tax rate (23%), even though it has a high balance of losses to be carried forward for tax purposes and does not actually pay the tax. See Note 17 to the annual financial statements.

Pre-income tax profit (loss) and net profit (loss)

The pre-tax profit in the first quarter of 2024 is approx. USD 99.8 million, compared to a pre-tax loss in the corresponding period last year in the amount of approx. USD 25.8 million. The net profit in the first quarter of 2024 amounted to approx. USD 80.5 million, compared to a loss of approx. USD 34.4 million in the corresponding quarter last year. The increase in net profit stems from the Company's improved profitability for the reasons mentioned above. Regarding the concentration of the main factors for this, see Section A.1 above. regarding the main data.

A4. Seasonality

In normal times, the Group's activity is affected by seasonality and focuses on peak periods, usually in the summer season and during the holidays. In view of the War, as detailed in the above introduction to the Board of Directors' Report, the gradual increase in demand as well as the relatively slow rate of return of the foreign airlines, as of the date of the report, has led to increased demand for the Company's flights in the first quarter of 2024, similar to the demand customary in peak periods in routine times.

A5. Cash flows

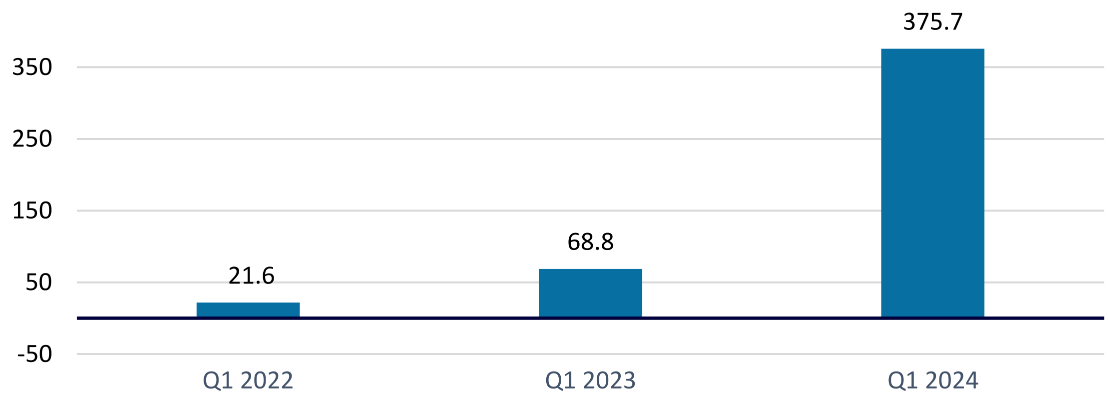
Cash flows for the three-month period ended March 31, 2024:

	Q1 2024	Q1 2023	Q1 2024 Vs. Q1 2023
Net cash flows provided by operating activities	375.7	68.8	306.9
Net cash flows used in investing activities	(278.9)	(26.3)	(252.6)
Net cash flows used in financing activities	(31.3)	(90.4)	59.1
Impact of changes in exchange rates on cash balances held in foreign currency	(4.2)	(2.0)	(2.2)
Increase (decrease) in cash and cash equivalents	**61.3**	**(49.9)**	**111.2**

Cash flows from operating activities

In the first quarter of 2024, the Company had a positive cash flow from operating activities in the amount of approx. USD 375.7 million, compared with a positive cash flow of approx. USD 68.8 million last year. The increase in the amount of approx. USD 306.9 million from operating activities, compared to the corresponding quarter last year stems mainly from an improvement in business results, and in view of an improvement in the building of the company's working capital, which is mainly influenced by advance sales of flight tickets for the demand seasons. In addition, the corresponding quarter last year was negatively affected as a result of the timing of the payment of the wages of permanent employees for the month of March last year (approx. USD 14 million).

Development of cash flows from operating activities for the first quarter of 2022-2024 (USD millions)



Cash flows for investing activities

In the first quarter of 2024, the Group used approx. USD 278.9 million, net, for investing activities. In that period, the Group invested in fixed assets and intangible assets in the amount of approx. USD 24.4 million. The Group also invested in deposits in the amount of approx. USD 254.6 million.

In the corresponding quarter last year, the Group used approx. USD 26.3 million, net, for investing activities. In that period, the Group invested in fixed assets and intangible assets in the amount of approx. USD 14.6 million. In addition, the Group invested approx. USD 12.0 million in deposits.

Cash flows from financing activities

In the first quarter of 2024, the Group used approx. USD 31.3 million, net, for financing activities. In this period, the Group repaid loans from financing entities in the amount of approx. USD 37.4 million and paid current maturities of lease liabilities (the theoretical principal component) in the amount of approx. USD 24.4 million. On the other hand, the Company had a positive cash flow in respect of the exercise of options in the amount of approx. USD 30.9 million.

In the corresponding quarter last year, the Company used approx. USD 90.4 million, net, for financing activities. In this period, the Company repaid loans from financing entities in the amount of approx. USD 48.9 million, paid current maturities of lease liabilities (the theoretical principal component) in the amount of approx. USD 31.7 million and there was also a decrease in net short-term credit in the amount of approx. USD 23.4 million. On the other hand, the Company had a positive cash flow in respect of the exercise of options in the amount of approx. USD 13.6 million.

A6. The Company's financial position, cash balances and working capital

	March 31, 2024	December 31, 2023		March 31, 2024	December 31, 2023
	USD millions			USD millions	
Current assets	1,220.9	805.1	Current liabilities	1,867.1	1,549.0
Non-current assets	2,474.8	2,513.4	Non-current liabilities	1,919.9	1,978.8
			Equity	(91.2)	(209.2)
Total	3,695.7	3,318.5	Total	3,695.7	3,318.5

The following are the main changes in the assets, liabilities and equity items as of March 31, 2024 compared to December 31, 2023:

Current assets

The Group's current assets as of March 31, 2024 amounted to approx. USD 1,220.9 million, which constitutes an increase of approx. USD 415.8 million compared to the balance as of December 31, 2023. The increase was mainly due to an increase in short-term deposits following the improvement in business results and in the Group's liquid balances (see the explanation above regarding cash flow) and from an increase in the customer balance as a result of an increase in the Group's sales volume in accordance with the aforementioned.

Current liabilities

The Group's current liabilities as of March 31, 2024 amounted to approx. USD 1,867.1 million, which constitutes an increase of approx. USD 318.1 million compared to the balance as of December 31, 2023. The increase stems mainly from an increase in the balance of deferred revenue from the sale of flight tickets against the backdrop of the increase in the order backlog. See also the introduction to the Board of Directors' Report above.

Working capital

As of March 31, 2024, the Group has a working capital deficit of approx. USD 646.1 million compared to a deficit of approx. USD 743.8 million as of December 31, 2023. The reduction in the deficit is mainly due to the increase in the balances of cash and cash equivalents and short-term deposits with the improvement in business results. It should be noted that of the total current liabilities, an amount of approx. USD 958.8 million constitutes deferred revenue, mainly from the sale of flight tickets (including vouchers issued), which in the normal course of the Company's business is not repaid in cash but through the provision of future flight services. In addition, the current liabilities as of December 31, 2023 include a loan from the controlling shareholder in the amount of approx. USD 70.0 million, which is convertible into the Company's shares, as detailed in Note 14.F to the financial statements (see also Note 8 to the financial statements regarding an issuance subsequent to the balance sheet date and the repayment of most of this loan). In addition, an amount of approx. USD 47.2 million is in respect of a liability to employees for vacation, which is expected to be paid to employees upon retirement but is classified as a short-term liability in accordance with accounting principles. The current ratio as of March 31, 2024 increased to approx. 65.4%, compared with approx. 52.0% as of December 31, 2023. It should also be noted that due to the Group's activity structure, the Group has a built-in working capital deficit due to the balance sheet recognition of the uses expected to be paid in the current year (current maturities) while the sources of their payment will only be recognized when they are actually received (the cash flows expected to be received in respect of the activity).

Non-current assets

The non-current assets as of March 31, 2024 amounted to approx. USD 2,474.8 million, constituting a decrease of approx. USD 38.6 million compared to the balance as of December 31, 2023. Most of the decrease stems from a decrease in the depreciated cost of fixed assets and in the right-of-use of leased assets mainly due to the current depreciation.

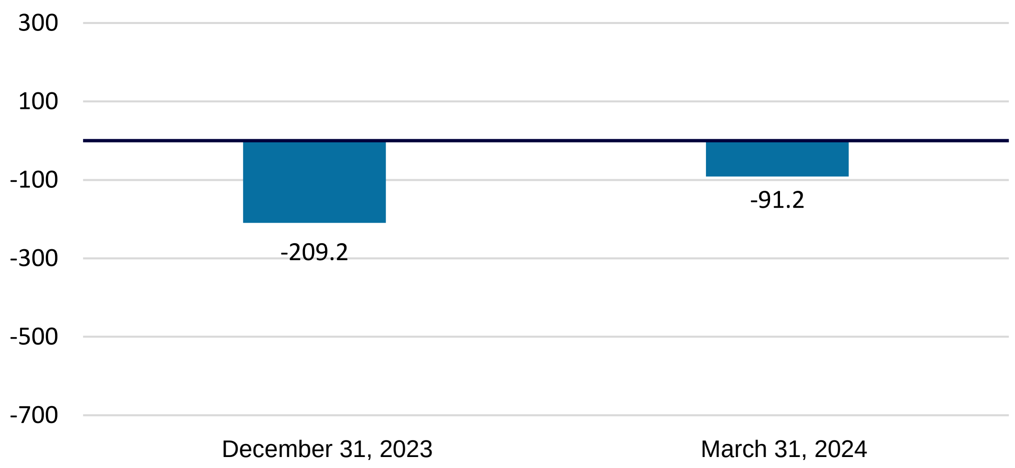
Non-current liabilities

The Group's non-current liabilities as of March 31, 2024 amounted to approx. USD 1,919.9 million, constituting a decrease of approx. USD 58.9 million compared to the balance as of December 31, 2023. Most of the decrease stems from a decrease in lease liabilities, mainly due to current repayments, and from a decrease in the balance of long-term loans.

Equity

The Company's capital deficit as of March 31, 2024 amounted to approx. USD 91.2 million. The decrease in the Company's capital deficit in relation to December 31, 2023 in the amount of approx. USD 118.0 million was mainly affected by the net profit in the first quarter of 2024 in the amount of approx. USD 80.5 million and by the exercise of options in the first quarter of 2024 in the amount of approx. USD 30.9 million.

Development of the capital deficit (USD millions)



The Company's loans and significant credit facilities

For information regarding the Company's loans, see Note 5 to the financial statements.

B. Exposure and management of market risks

The following is information regarding the market risks to which the Company is exposed and their management, including the use of hedging transactions. The Company implements hedge accounting and designates hedging transactions as hedging instruments. Regarding the accounting policy in this context and regarding the Company's policy in managing market risks, those responsible for their management, the means of supervision and implementation of the policy, see Note 19 to the Annual Financial Statements.

Exposure to changes in jet fuel prices

In general, the jet fuel expenses constitute a key component of the Company's operating expenses and affect the Company's profitability. The Company is taking protective measures to reduce exposure.

As of March 31, 2024, the Company had a number of engagements, for the purpose of hedging fuel prices, which cover approx. 33% of the planned consumption for the next 12 months. For the effect of the transactions on profit or loss, see Note 4 to the financial statements. The net fair value of the total jet fuel hedging instruments as of March 31, 2024 amounted to approx. USD 8.4 million.

The following table presents the sensitivity of the jet fuel expenses over a period of the next 12 months (close to the date of publication of the financial statements), in relation to future market prices, expected according to the known curve close to the date of publication of the report, depending on the expected level of activity and as estimated by the Company (under the assumption that all other variables, including the consumption quantity and suppliers' margins, will remain unchanged with respect to the reporting year):

Change in the Average Market Price in the next 12 Months in relation to the Price close to the Date of Publication of the Report (233 cents/gallon)	Extent of the Effect on Expenses (USD millions)
50%	179
25%	96
-25%	(112)
-50%	(236)

The rates of change in the market price in the table above were in accordance with the maximum rate of change in jet fuel prices during the period of the Corona crisis.

Exposure to a decrease in aircraft price lists in relation to long-term loans

According to the provisions of some of the agreements for loans taken by the Company from Israeli banks in connection with the purchase of aircraft (that are not "reportable credit"), the Company is required to meet the minimum ratio between the market value of the aircraft and the balance of the loans, which are secured by those aircraft (LTV). For information, see Note 14.D to the financial statements.

Exposure to changes in the interest rate

Most of the Company's loans bear interest based on the USD Term SOFR interest rate and the interest on some of the loans is hedged through derivatives.

Close to the date of publication of the report, approx. 32% of the balance of loans received by the Company are at variable interest rates and approx. 68% of the balance of loans are at fixed interest rates or hedged for a period of up to approx. 7 years.

The following table presents the sensitivity of interest expenses on the balance of loans as of the reporting date, over a period of the next 12 months (close to the date of publication of the financial statements), including the effect of the Company's measures regarding interest rate risk management.

Change in the average Term SOFR interest rate in the next 12 months in relation to the Term SOFR interest rate close to the date of the report (5.3%)	Average hedging rate and/or credit rate at fixed interest from the projected exposure for the next 12 months	Extent of the effect on expenses in the next 12 months after the hedging effect (USD millions)
50%	68%	15.2
15%		4.5
-15%		(4.6)
-50%		(15.2)

Interest rate derivatives

As detailed above and in Notes 14 and 19.F to the financial statements as part of the 2023 periodic report, the Company manages the interest rate risk, among other things, by using interest rate derivatives. The fair value of interest derivatives in the statement of financial position as of March 31, 2024 amounted to positive balance (asset) of approx. USD 35.0 million.

Exposure in respect of exchange rates

Exposure in respect of current expenses and payments

The majority of the Company's revenues and expenses are in USD, which is the Company's functional and presentation currency. The Company has expenses in NIS, mainly salary expenses and payments to local suppliers in Israel. Therefore, a change in the NIS exchange rate against the USD affects the USD value of expenses in NIS.

The following table presents the sensitivity of NIS expenses over the next 12 months (close to the date of publication of the financial statements), in relation to future market prices expected as of this date, depending on the expected level of activity and the Company's estimates (under the assumption that all other variables, including the amount of NIS expenses, will remain unchanged from expectations in relation to the reporting year).

Close to the date of publication of this quarterly report, the hedging rate of the NIS cash flow exposure for the next 12 months is approx. 31% of the expected exposure.

Change in the average exchange rate in the next 12 months in relation to the exchange rate close to the date of publication of the report (NIS 3.66 per USD spot rate)	Average hedging rate from projected exposure for the next 12 Months	Change in USD Value of NIS Expenses after hedging effect (USD millions)
10%	31%	(33)
-10%		40

Exposure in respect of actuarial liabilities denominated in NIS

The Company has several obligations related mainly to the severance pay for employees in Israel denominated in NIS, totaling approx. USD 104.8 million (net of plan assets), which exposes the Company to changes in the statement of profit and loss due to the revaluation of balance sheet balances each period.

Exposure in respect of loans denominated in JPY

The Company has several loans in which part of its components is denominated in JPY. The debt denominated in JPY as of March 31, 2024 amounted to approx. USD 87.5 million. The Group carried out a hedge transaction to swap cash flows in order to determine the price of the JPY, for a debt of approx. USD 22.5 million (as of March 31, 2024). As of the date of the financial statements, the fair value of this hedging transaction is approx. USD 12.5 million to the Company's debt. For more information on the Company's exposure to changes in the exchange rate of the JPY against the USD, see Note 4 to the financial statements.

Exposure in respect of balance sheet balances and future payments

The main financial liabilities (financial assets) that expose the Company to a non-USD currency that expose the Company to fluctuations in exchange rates are as follows, with a breakdown according to the main currencies (in USD):

	NIS	JPY	EUR	GBP
Cash and deposits	(208.5)	-	(19.7)	-
Lease liabilities	16.8	-	-	-
Loans (not hedged, for exchange rate exposure)	-	64.9	-	-
Liability in respect of employee benefits	104.8	-	-	(0.1)
Total net liabilities, in USD	**(87.0)**	**64.9**	**(19.7)**	**(0.1)**
Spot exchange rate as of March 31, 2024 per USD 1	3.68	151.27	0.93	0.79
Effect of a 10% decrease/increase in the exchange rate on results	**(8.7)**	**6.5**	**(2.0)**	**-**

C. Disclosure provisions in connection with the Corporation's financial reporting

C1. Disclosure regarding critical accounting estimates

The implementation of the provisions of the international standards by management when preparing the financial statements sometimes involves assumptions, valuations and various estimates that affect the amounts of assets and liabilities and the business results reported in the financial statements. Some of the assumptions, valuations and estimates are critical to the financial position or results of operations reflected in the Group's financial statements, due to the materiality of the issue, the complexity of the calculations or the feasibility of the materialization of issues that are uncertain. For information regarding material accounting estimates used by the Company, see Note 2.D to the annual financial statements as of December 31, 2023.

C2. Issues to which the Company's auditors draw attention in their conclusion regarding the financial statements

For information regarding the Company's exposure to class actions against the Company, see Note 6 to the financial statements.

Amikam Ben Zvi - Chairman of the Company's Board of Directors

Dina Ben Tal Ganancia - CEO

May 28, 2024

Chapter B

Condensed Consolidated Financial Statements as of March 31, 2024
(Unaudited)

El Al Israel Airlines Ltd.

Condensed Consolidated Financial Statements
As of March 31, 2024

(Unaudited)

Table of Contents

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Auditor's Review Report to the Shareholders of El Al Israel Airlines Ltd.

Introduction

We have reviewed the attached financial information of El Al Israel Airlines Ltd. and its consolidated companies (hereinafter - "the Company"), which includes the Condensed Statement of Financial Position as of March 31, 2024 and the Condensed Statements of Profit and Loss, Comprehensive Income, Changes in Capital Deficit and Cash Flows for the three-month period ended on that date. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with International Accounting Standard IAS 34 - "Interim Financial Reporting", and they are responsible for the preparation of the financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of the Review

We have conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel - "Reviews of Financial Information for Interim Periods Prepared by the Entity's Auditor". A review of financial information for interim periods consists of inquiries, mainly from people responsible for finances and accounting, and from the application of analytical and other reviewing procedures. A review is significantly limited in scope compared to an audit prepared in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we will become aware of all significant matters that may be identified in an audit. Accordingly, we are not expressing an audit-level opinion.

Conclusion

Based on our review and on the review reports of the other accountants, nothing has come to our attention leading us to believe that the above financial information has not been prepared, in all material aspects, in accordance with International Accounting Standard IAS 34.

In addition to the above, based upon our review and on the review reports of the other accountants, nothing has come to our attention leading us to believe that the above financial information does not comply, in all material aspects, with the disclosure directives of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our above conclusion, we draw attention to Note 6 to the Consolidated Financial Statements as of March 31, 2024 regarding the exposure to the approval of class actions against the Company and the Company's exposure to these class actions.

Tel Aviv	Kost Forer Gabbay & Kasierer
May 28, 2024	Certified Public Accountants

Condensed Consolidated Statements of Financial Position

	As of March 31		As of December 31
	2024	2023	2023
	USD millions	USD millions	USD millions
	(Unaudited)		(Audited)
Assets			
Current assets			
Cash and cash equivalents	447.4	233.3	386.1
Short-term deposits	290.8	23.3	35.6
Trade receivables	381.6	255.2	293.8
Accounts receivable and debit balances	25.3	29.4	30.1
Derivative financial instruments	24.1	5.3	19.7
Prepaid expenses	35.6	31.8	24.3
Inventory	16.0	16.0	15.5
Total current assets	1,220.9	594.3	805.1
Non-current assets			
Long-term deposits	113.8	92.7	114.4
Long-term investments	17.6	14.7	17.1
Deferred tax liabilities	97.8	103.8	103.6
Right-of-use leased assets (*)	624.0	692.7	645.5
Fixed assets and intangible assets	1,600.6	1,620.5	1,614.9
Derivative financial instruments	21.0	30.1	17.8
Total non-current assets	2,474.8	2,554.4	2,513.4
Total assets	3,695.7	3,148.6	3,318.5

(*) Restatement of comparative figures as of March 31, 2023.

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

El Al Israel Airlines Ltd.

Condensed Consolidated Statements of Financial Position

	As of March 31		As of December 31
	2024	2023	2023
	USD millions	USD millions	USD millions
	(Unaudited)		(Audited)
Liabilities and equity			
Current liabilities			
Current maturities and short-term credit	176.9	190.4	176.2
Loans from the controlling shareholder	70.0	70.0	70.0
Current maturities of leases (*)	136.5	132.4	126.0
Trade payables	203.0	167.2	206.7
Accounts payable and credit balances	136.5	138.6	135.7
Deferred revenue	958.8	701.2	672.5
Provisions	13.1	11.3	8.1
Derivative financial instruments	12.8	11.1	12.6
Liability in respect of employee benefits	159.6	92.7	141.0
Total current liabilities	1,867.1	1,514.8	1,549.0
Non-current liabilities			
Loans from financing entities	811.2	850.2	854.6
Lease liabilities (*)	646.0	733.5	677.8
Bonds	2.3	2.0	2.2
Long-term deferred revenue	229.3	231.7	230.3
Long-term credit balances	140.7	116.1	139.2
Deferred tax liabilities	15.1	-	-
Liability in respect of employee benefits	62.7	65.1	63.4
Derivative financial instruments	12.5	8.7	11.1
Total non-current liabilities	1,919.9	2,007.4	1,978.8
Total liabilities	3,786.9	3,522.2	3,527.7
Capital deficit			
Share capital	443.6	412.3	429.1
Share premium and capital reserves	376.7	357.3	353.8
Accumulated deficit	(890.8)	(1,119.2)	(970.1)
Total capital deficit attributed to Company shareholders	(70.5)	(349.6)	(187.3)
Non-controlling interests	(20.7)	(23.9)	(21.9)
Total capital deficit	(91.2)	(373.5)	(209.2)
Total liabilities and equity	3,695.7	3,148.6	3,318.5

(*) Restatement of comparative figures as of March 31, 2023.

Amikam Ben Zvi - Chairman of the Company's Board of Directors	Dina Ben Tal Ganancia - CEO	Ya'acov (Yankale) Shahar - CFO

Financial statements date of approval: Ben Gurion Airport, May 28, 2024.

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Profit and Loss

	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023
	USD millions	USD millions	USD millions
	(Unaudited)		(Audited)
Operating revenue	738.0	500.0	2,503.1
Operating expenses:			
Fuel	147.3	132.7	563.1
Salaries and related expenses	163.9	123.9	567.3
Airport fees and services and air transit fees	75.7	61.8	299.4
Maintenance	29.2	21.9	94.2
Food, passenger service and other operating costs	47.6	40.7	172.8
Marketing and distribution expenses	46.6	33.6	141.3
Depreciation and amortizations (*)	64.9	54.6	248.6
Rentals (*)	10.7	10.4	52.8
Computing and HQ expenses	32.0	25.3	108.9
Other income, net	-	(12.9)	(12.6)
Total operating expenses	617.8	492.0	2,235.8
Operating profit	120.2	8.0	267.3
Financing expenses, net (*)	(20.4)	(33.8)	(142.2)
Profit (loss) before income tax	99.8	(25.8)	125.1
Tax expense	(19.3)	(8.6)	(8.4)
Net profit (loss) for the period	80.5	(34.4)	116.7
Attributed to:			
Company shareholders	79.3	(36.5)	112.6
Non-controlling interests	1.2	2.1	4.1
	80.5	(34.4)	116.7
Profit (loss) per ordinary share of NIS 1 PV (in USD): (**)			
Basic earnings (loss) per share	0.312	(0.157)	0.410
Diluted earnings (loss) per share	0.203	(0.159)	0.273
Weighted average number of shares (in millions) used in the calculation of earnings (loss) per share: (**)			
Basic	254.8	232.8	274.7
Diluted	389.0	232.8	413.2

(*) Restatement of comparative figures for the three-month period ended March 31, 2023.
(**) The loss per share for the three-month period ended March 31, 2023 was retroactively adjusted for bonus share distributions. For information, see Note 18.A to the annual financial statements.

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Other Comprehensive Income

	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023
	USD millions	USD millions	USD millions
	(Unaudited)		(Audited)
Profit (loss) for the period	80.5	(34.4)	116.7
Other comprehensive income (loss):			
Amounts that will not be classified in the future to profit or loss:			
Profit in respect of remeasurement of defined benefit plan, net of tax	0.2	1.3	3.2
Amounts that will be classified in the future to profit or loss:			
Exchange rate differences in respect of translation of foreign activities	(0.2)	-	(0.2)
Profit (loss) in respect of cash flow hedging, net of tax	4.6	(7.9)	(3.5)
Profit (loss) in respect of cash flow hedging - time value, net of tax	1.5	(0.1)	(1.6)
Other comprehensive income (loss) for the period	6.1	(6.7)	(2.1)
Total comprehensive income (loss) for the period	86.6	(41.1)	114.6
Attributed to:			
Company shareholders	85.4	(43.2)	110.5
Non-controlling interests	1.2	2.1	4.1
	86.6	(41.1)	114.6

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

El Al Israel Airlines Ltd.

Condensed Consolidated Statements of Changes in Equity (Capital Deficit)

For the three-month period ended March 31, 2024 (Unaudited)

	Share capital	Capital reserve for issuance of discounted shares	Capital reserve for issuance of options	Capital reserve for cash flow hedging	Capital reserve for cash flow hedging - Time value	Other capital reserves	Accumulated deficit	Total equity attributed to parent company shareholders	Non-controlling interests	Total
	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions
Balance as of January 1, 2024 (audited)	429.1	(39.8)	55.3	26.2	(2.1)	314.2	(970.1)	(187.3)	(21.9)	(209.2)
Movement in the reporting period:										
Profit for the period	-	-	-	-	-	-	79.3	79.3	1.2	80.5
Other comprehensive income	-	-	-	4.6	1.5	-	-	6.1	-	6.1
Total comprehensive income for the period	-	-	-	4.6	1.5	-	79.3	85.4	1.2	86.6
Exercise of options for shares	14.5	36.8	(20.4)	-	-	-	-	30.9	-	30.9
Share-based payment	-	-	-	-	-	0.5	-	0.5	-	0.5
Total equity as of March 31, 2024	443.6	(3.0)	34.9	30.8	(0.6)	314.6	(890.8)	(70.5)	(20.7)	(91.2)

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

El Al Israel Airlines Ltd.

Condensed Consolidated Statements of Changes in Equity (Capital Deficit) (continued)

For the three-month period ended March 31, 2023 (Unaudited)

	Share capital	Capital reserve for issuance of discounted shares	Capital reserve for issuance of options	Capital reserve for cash flow hedging	Capital reserve for cash flow hedging - Time value	Other capital reserves	Accumulated deficit	Total equity attributed to parent company shareholders	Non-controlling interests	Total
	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions
Balance as of January 1, 2023 (audited)	407.0	(51.2)	68.3	29.7	(0.5)	308.5	(1,082.8)	(321.0)	(26.0)	(346.9)
Movement in the reporting period:										
Profit (loss) for the period	-	-	-	-	-	-	(36.5)	(36.5)	2.1	(34.4)
Other comprehensive income (loss)	-	-	-	(7.9)	(0.1)	1.3	-	(6.7)	-	(6.7)
Total comprehensive income (loss) for the period	-	-	-	(7.9)	(0.1)	1.3	(36.5)	(43.2)	2.1	(41.1)
Exercise of options for shares	5.3	16.7	(8.4)	-	-	-	-	13.6	-	13.6
Share-based payment	-	-	-	-	-	0.8	-	0.8	-	0.8
Total equity as of March 31, 2023	412.3	(34.5)	59.9	21.7	(0.6)	310.8	(1,119.2)	(349.6)	(23.9)	(373.5)

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

El Al Israel Airlines Ltd.

Condensed Consolidated Statements of Changes in Equity (Capital Deficit) (continued)

	For the year ended December 31, 2023 (Audited)									
	Share capital	Capital reserve for issuance of discounted shares	Capital reserve for issuance of options	Capital reserve for cash flow hedging	Capital reserve for cash flow hedging - Time value	Other capital reserves	Accumulated deficit	Total equity attributed to parent company shareholders	Non-controlling interests	Total
	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions
Balance as of January 1, 2023	407.0	(51.2)	68.3	29.7	(0.5)	308.5	(1,082.8)	(321.0)	(26.0)	(346.9)
Movement in the reporting year:										
Profit for the year	-	-	-	-	-	-	112.6	112.6	4.1	116.7
Other comprehensive income (loss)	-	-	-	(3.5)	(1.6)	3.0	-	(2.1)	-	(2.1)
Total comprehensive income (loss) for the year	-	-	-	(3.5)	(1.6)	3.0	112.6	110.5	4.1	114.6
Issuance of bonus shares	13.8	(13.8)	-	-	-	-	-	-	-	-
Exercise of options for shares	8.3	25.2	(13.0)	-	-	-	-	20.5	-	20.5
Share-based payment	-	-	-	-	-	2.5	-	2.5	-	2.5
Total equity as of December 31, 2023	429.1	(39.8)	55.3	26.2	(2.1)	314.2	(970.1)	(187.3)	(21.9)	(209.2)

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows

	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023
	USD millions	USD millions	USD millions
	(Unaudited)		(Audited)
Cash flows from operating activities			
Profit (loss) for the period	80.5	(34.4)	116.7
Adjustments required to present cash flows from operating activities - Appendix A (*)	295.2	103.2	338.8
Cash provided by operating activities	375.7	68.8	455.5
Cash flows for investing activities			
Fixed asset purchases (including payment on account of aircraft and general engine overhauls)	(21.5)	(11.5)	(116.6)
Proceeds from realization of fixed assets and realization of a long-term investment	0.1	0.3	1.0
Investment in intangible assets	(2.9)	(3.1)	(14.2)
Change in deposits, net	(254.6)	(12.0)	(44.7)
Net cash flows used in investing activities	(278.9)	(26.3)	(174.5)
Cash flows for financing activities			
Exercise of options for shares	30.9	13.6	20.5
Receipt of a loan from financing entities	-	-	135.1
Payment in respect of loan raising expenses	-	-	(9.1)
Repayment of loans from financing entities	(37.4)	(48.9)	(206.0)
Repayment of lease liabilities (*)	(24.4)	(31.7)	(115.7)
Decrease in short-term credit, net	(0.4)	(23.4)	(3.9)
Cash used in financing activities	(31.3)	(90.4)	(179.1)
Impact of changes in exchange rates on cash balances held in foreign currency	(4.2)	(2.0)	1.0
Increase (decrease) in cash and cash equivalents	61.3	(49.9)	102.9
Cash and cash equivalents at beginning of period	386.1	283.2	283.2
Cash and cash equivalents at end of period	447.4	233.3	386.1

(*) Restatement of comparative figures for the three-month period ended March 31, 2023.

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023
	USD millions	USD millions	USD millions
	(Unaudited)		(Audited)
Appendix A – Adjustments required to present cash flows from operating activities:			
Income and expenses not entailing cash flows:			
Depreciation (including disposal of accessories, obsolete components and consumption of consumable equipment)	39.6	30.3	149.6
Depreciation in respect of right-of-use leased assets (*)	25.3	24.3	99.0
Deferred taxes, net	19.0	8.5	7.9
Increase (decrease) in liabilities in respect of employee benefits	18.1	(22.1)	26.3
Net capital gain from realization of assets	-	(0.2)	(0.2)
Revaluation of financial instruments at fair value through profit and loss, See Note 4	-	(12.6)	(5.3)
Adjustments in respect of financing expenses, net	7.3	8.8	25.3
Other changes	7.2	0.8	(2.3)
	116.5	37.8	300.3
Changes in asset and liability items:			
Increase in trade receivables and other receivables	(83.0)	(35.2)	(76.0)
Increase in deferred revenue	279.0	106.0	57.4
Increase (decrease) in trade payables and other payables	(5.4)	3.0	57.3
Other changes	(11.9)	(8.4)	(0.2)
	178.7	65.4	38.5
	295.2	103.2	338.8
Appendix B – Interest payments and receipts, taxes paid and dividends received and classified under cash flows from operating activities (1):			
Interest payments (2) (*)	27.3	28.0	112.0
Interest receipts	6.0	2.2	10.2
Tax payments - advances for excess expenses	0.1	0.1	0.5

(*) Restatement of comparative figures for the three-month period ended March 31, 2023.

The attached notes constitute an integral part of the Condensed Consolidated Financial Statements.

[1] The Company classifies cash flows in respect of interest and dividends received as well as cash flows in respect of interest paid as cash flows that were used in or provided by operating activities.
[2] Includes interest on lease liabilities in accordance with IFRS 16 - "Leases".

Note 1 - General

A. El Al Israel Airlines Ltd. (the "Company" or "El Al") and the Subsidiaries (the "Group") operate mainly in the field of air transport of passengers and cargo, and operate scheduled flights, and charter flights through the subsidiary Sundor International Airlines Ltd. ("Sundor"). The Group also engages in ancillary activities to air transport such as: duty-free product sales, manufacture and supply of food to airlines (including to the Company itself), provision of security services to the Israeli aviation, provision of routine maintenance and comprehensive maintenance services for its aircraft. In addition, the Group operates a loyalty club for its customers in which it cooperates with financial institutions in a branded credit card project through the subsidiary El Al Matmid Frequent Flyer Club Ltd. The Group also operates through the subsidiary Cockpit Innovation Ltd. for the development of initiatives and coordinates the Group's innovation activity.

The condensed financial statements should be reviewed in connection with the Company's consolidated financial statements as of December 31, 2023 and for the year ended on that date and their accompanying notes (hereinafter - the "Annual Financial Statements").

B. Development of the Company's business and its financial position:

To a large extent, passenger traffic in Israel is characterized by seasonality, with most of the activity in the summer months, while the winter months are usually characterized by low passenger traffic activity, and the timing of Israeli holidays has an additional effect on seasonality. In view of the fact that the Iron Swords War (the "War") brought about significant changes in passenger traffic at Ben Gurion Airport and in the supply of flights in the market, the demand for the Company's flights in the first quarter of 2024 (the "current quarter"), despite the gradual (but unstable) return of the foreign airlines, continued even more strongly and even increased. The Company is experiencing increased demand for its flights in relation to the seat capacity it is able to offer, and continues its operational efforts to increase the supply of flights as much as possible, within the limits of its production capacity.

Since the first days of the War, the foreign airlines have alternately canceled and returned some of their flights to and from Israel. The security reality that changes from time to time and the lack of stability that characterizes the War period result in frequent changes and increased uncertainty regarding the pace and extent of the foreign companies' return and activity.

In this context, the traditional seasonality trend according to which the winter months are characterized by lower passenger traffic was not reflected in the current quarter, and this period was characterized by the demands experienced by the Company in peak seasons during normal times. The aforementioned, along with other factors, had a material positive effect on the Company's business results and financial position for the current quarter.

Further to Note 1.B to the Annual Financial Statements, since the outbreak of the War and as it has continued, the Company has had to adapt its activity profile to a changing business reality, which has resulted, among other things, in an increase in the level of operational and commercial risk. In addition, the War has led to an increase in uncertainty regarding the routine and the difficulty of predicting market demand, the competition and the interrelationships between them. As a result, the Company is bearing additional costs, including the extension of flight routes, an increase in security expenses, suboptimal management of the workforce, among other things as a result of the inability to land crews in some destinations, etc., and all this in addition to the general increase in the price of inputs in the economy and around the world as part of the recovery from the Corona crisis.

The business results for 2023 with the continued strengthening of market demand with the exit from the Corona crisis and against the backdrop of the efficiency and operational measures carried out by the Company, as well as its financial results in the first quarter of 2024 in the context of the current business reality and its characteristics, led to an improvement in the Company's financial position and its liquidity balances. In addition, on April 1, 2024, subsequent to the date of the statement of financial position, the Company raised capital, as detailed in Note 8, in the amount of approx. USD 140 million (not including issuance costs), which improved the Company's financial position even more and is even expected to result in the Company's capital in the second quarter of 2024 being positive for the first time since December 2019.

Note 1 - General (continued)

B. Development of the Company's business and its financial position: (continued)

At the same time, as of the date of approval of the financial statements, for several months the Group has been dealing with the business reality derived from the War, its prolonged duration and especially its characteristics in relation to the various fronts, as well as the lack of economic instability and the uncertainty prevailing in the economy may have additional consequences for the Company's financial position. As of the date of approval of the financial statements, and given the current activity volumes and demand levels, the Company expects that it will be able to deal with the changes and transformations in the business environment as necessary.

Note 2 - Significant Accounting Policies

A. Preparation basis for the financial statements

The Group's Condensed Consolidated Financial Statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard IAS 34 - "Interim Financial Reporting", and in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

In the preparation of these interim financial statements, the Group applied accounting policies, presentation principles and calculation methods identical to those applied in the preparation of its financial statements as of December 31, 2023, and for the year ended on that date.

B. Amendments to financial reporting and accounting standards

- **Amendments to IAS 1, regarding the presentation of financial statements ("IAS 1"), regarding the classification of liabilities as current or non-current**
  In 2020, an amendment was published to IAS 1 regarding the classification of liabilities as current or non-current (the "2020 Amendment"). The amendment clarified that the classification of liabilities as current or non-current is based on the entity's rights at the end of the reporting period and is not affected by the entity's expectation of exercising these rights.

  The amendment removed the reference to the existence of an "unconditional" right to defer settlement of an obligation for at least 12 months after the reporting periods and clarified that if the right to defer settlement as mentioned is conditional on meeting financial standards, the right exists if the entity meets the standards established at the end of the reporting period, even if compliance with the standards is examined by the lender at a later date.

  In addition, in the 2020 Amendment, a definition was added to the term "settlement" in order to clarify that a settlement can be the transfer of cash, goods and services or equity instruments of the entity itself to a counterparty. In this context, it was clarified that if, according to the terms of the liability, the counterparty has an option to demand settlement in the entity's equity instruments, this condition does not affect the classification of the liability as current or non-current if the option is classified as a separate capital component in accordance with IAS 32, regarding financial instruments: presentation.
  The 2020 Amendment only affects the classification of liabilities as current or non-current in the statement of financial position and not the amount or the timing of the recognition of those liabilities or the income and expenses related thereto.

  In October 2022, another amendment was published regarding the classification of a liability with financial covenants (the "2022 Amendment"), which clarified that only financial covenants that the entity is required to meet at or before the end of the reporting period affect the entity's right to postpone settlement of a liability for at least 12 months after the reporting period, even if compliance with is actually examined after the reporting period. On the other hand, financial covenants that an entity is required to meet at a date later than the end of the reporting period do not affect the existence of the aforementioned right as of the end of the reporting period.

Note 2 - Significant Accounting Policies (continued)

B. Amendments to financial reporting and accounting standards (continued)

In addition, the 2022 Amendment determines that if the entity's right to postpone the settlement of the liability for at least 12 months after the reporting period is subject to the entity meeting financial covenants within 12 months after the reporting period, the entity is required to provide a disclosure that will enable the users of the financial statements to understand this inherent risk.

The other amendments published as part of the 2020 Amendment remain unchanged. Amendment 2020 and Amendment 2022 entered into binding effect for annual reporting periods beginning on or after January 1, 2024.

The implementation of the provisions of the amendments as described above had no effect on the classification of the Company's liabilities.

C. Disclosure for new IFRS standards in the period prior to their application

International financial reporting standard ifrs 18 - presentation and disclosure in Financial Statements:

In April 2024, the International Accounting Standards Board published International Financial Reporting Standard 18 IFRS, Presentation and Disclosure in Financial Statements ("the new standard") which replaces International Accounting Standard 1 IAS, Presentation of Financial Statements.

The purpose of the new standard is to improve comparability and transparency in the financial statements, and this standard will include new presentation and disclosure requirements, including in the statement of profit and loss and management-defined performance measures, for example: EBITDAR). According to the new standard, a statement of profit and loss will be divided into five categories (operating activity, investing activity, financing activity, income taxes and discontinued activity) such that its application may change the classification of certain expenses or income and thereby change the interim totals in the statement of profit and loss, for example, the operating profit of the Group. For the avoidance of doubt, it should be emphasized that there will be no change in the Group's net profit as a result of the application of the new standard.

The publication of the new standard also resulted in amendments to a limited extent to other accounting standards, among them IAS 7, regarding the statement of cash flows in a way that may affect the classification of cash flows in the statement of cash flows.

The new standard will be applied retroactively starting with annual periods starting on or after January 1, 2027. It should be noted that early application is possible and will be examined by the Company. The Company is examining the effects of the new standard as detailed above.

Note 3 - Fixed Assets and Leases

A. Further to Note 10.B to the annual financial statements, according to the aircraft manufacturer Boeing, the 17th 787 aircraft is expected to be received by the Company during the second half of 2024. The 18th 787 aircraft is expected to be received by the Company during the second half of 2025, and the 19th 787 aircraft is expected to be received by the Company in the first half of 2026.

B. During April 2024, subsequent to the date of the statement of financial position, the Company signed an agreement with the aircraft manufacturer Boeing for the purchase of three new Boeing 787-9 aircraft (aircraft 20-22) with delivery dates planned in 2029 and 2030 (hereinafter respectively: the "three aircraft" and the "agreement"). In addition, the Company was granted options to purchase up to six additional 787-9 aircraft (the "optional aircraft") in accordance with the exercise mechanism stipulated in the agreement. The expected delivery dates of the optional aircraft are from 2030 onwards and depend on the dates of the Company's exercise of the options and the availability of aircraft at Boeing.

According to the agreement, the Company has flexibility regarding the dates of receipt of some of the three aircraft and the optional aircraft, allowing an adaptation to the Company's needs as they may be from time to time in relation to its aircraft fleet, including conversion rights for the three aircraft and the optional aircraft to Boeing aircraft of another model, subject to the terms of the agreement.

The estimated purchase cost of the three aircraft as of their future delivery dates, including replacement engines, is expected to be between USD 650 million and USD 730 million (the "purchase cost") depending, among other things, on the type of engines, price adjustments to be applied on the future delivery dates and credits that will be granted to the Company. The purchase cost does not include the expected costs to the Company for ongoing maintenance of engines and other spare parts.

In accordance with the agreement, the Company paid Boeing advances in an immaterial amount. Additional advances will be paid by the Company until the delivery date of each aircraft, with the final payment for each aircraft being made upon receipt of each aircraft, all in accordance with the terms of the agreement. Prior to the arrival of each aircraft, the Company will examine the its financing alternatives.

The three aircraft will join the Company's fleet of 787 aircraft, which today includes 16 787 aircraft (twelve 787-9 aircraft and four 787-8 aircraft). With the receipt of additional 787 aircraft during 2024-2026 (aircraft 17-19 (as detailed in the periodic report)), and the receipt of the three aircraft, the Company's fleet of 787 aircraft will amount to 22 aircraft and up to 28 aircraft in the event that the Company fully exercises the options.

C. In March 2024, the Company signed with a foreign lessor to extend the lease agreement for a Boeing 737-800 passenger aircraft for an additional period of 31 months from October 2024 (the end date of the current lease). Due to the agreement, the Company recognized an increase in the right-of-use asset and the lease liability in the amount of approx. USD 3.2 million.

D. During 2021, the Company retired two Boeing 777-200 aircraft in accordance with its business plans at the time (Corona crisis) and therefore recorded an impairment of the aircraft. With the exit from the Corona crisis and in accordance with the Company's business strategy and its updated business plans, and against the backdrop of the unavailability of aircraft in the market, during April 2024, subsequent to the date of the statement of financial position, the Company began a process of renovating one of the aircraft in order to return it to use and even make a configuration change in the body of the aircraft. Accordingly, during the second quarter of 2024, the Company is expected to recognize the reversal of the impairment in the amount of approx. USD 15 million.

Note 4 - Derivative Financial Instruments

Changes in fair value of financial instruments measured at fair value:
The changes in fair value of the jet fuel hedging transactions, exchange rate hedging transactions and interest rate hedging transactions, measured at fair value, and their effect on the profit or loss, other comprehensive income and cash flow are as follows:

	For the three-month period ended March 31, 2024 (Unaudited)				
	Impact on profit and loss for the period	Impact on other comprehensive income for the period	Total impact on Group equity	Cash flow in respect of derivatives	Increase in asset / Decrease in liability (Decrease in asset / Increase in liability)
	USD millions	USD millions	USD millions	USD millions	USD millions
Balance as of January 1, 2024 (audited)					26.3
Jet fuel derivatives:					
Revaluation of transactions accounted for as hedging instruments	-	4.5	4.5	-	4.5
Receipt for transactions accounted for as hedging instruments	0.4	(0.4)	-	0.4	(0.4)
Loss from premiums due to expiration of derivatives designated as hedging instruments	(1.9)	1.9	-	-	-
Premium payments for hedging instruments	-	-	-	(2.3)	2.3
Total movement in jet fuel derivatives	(1.5)	6.0	4.5	(1.9)	6.4
Interest rate derivatives:					
Revaluation of transactions accounted for as hedging instruments	-	7.8	7.8	-	7.8
Receipt for transactions accounted for as hedging instruments	4.4	(4.4)	-	4.4	(4.4)
Effect of hedging on the provision for interest payable	(0.3)	0.3	-	-	-
Total movement in interest rate derivatives	4.2	3.7	7.8	4.4	3.4
Exchange rate derivatives:					
Revaluation of transactions accounted for as hedging instruments	-	(1.8)	(1.8)	-	(1.8)
Receipt from transactions accounted for as hedging instruments	0.5	(0.5)	-	0.5	(0.5)
Revaluation of loan hedging transactions in JPY	(1.7)	0.6	(1.1)	-	(1.1)
Completion of interest for hedging loans in JPY	(0.3)	-	(0.3)	-	(0.3)
Total movement in exchange rate derivatives	(1.5)	(1.7)	(3.2)	0.5	(3.7)
Total movement in derivatives	1.2	8.0	9.2	3.0	6.1
Balance as of March 31, 2024					32.4

Note 4 - Derivative Financial Instruments (continued)

Changes in fair value of financial instruments measured at fair value (continued):

	For the three-month period ended March 31, 2023 (Unaudited)				
	Impact on profit and loss for the period	Impact on other comprehensive income for the period	Total impact on Group equity	Cash flow in respect of derivatives	Increase in asset / Decrease in liability (Decrease in asset / Increase in liability)
	USD millions	USD millions	USD millions	USD millions	USD millions
Balance as of January 1, 2023 (audited)					32.1
Jet fuel derivatives:					
Revaluation of transactions accounted for as hedging instruments	0.0	(1.5)	(1.5)	0.0	(1.5)
Receipt for transactions accounted for as hedging instruments	0.0	0.0	0.0	0.0	0.0
Loss from premiums in respect of expiration of derivatives designated as hedging instruments	(1.0)	1.0	0.0	0.0	0.0
Premium payments for hedging instruments	0.0	0.0	0.0	(1.2)	1.2
Total movement in jet fuel derivatives	(1.0)	(0.5)	(1.5)	(1.2)	(0.4)
Interest rate derivatives:					
Revaluation of transactions accounted for as hedging instruments	0.0	(4.4)	(4.4)	0.0	(4.4)
Receipt for transactions accounted for as hedging instruments	3.6	(3.6)	0.0	3.6	(3.6)
Effect of hedging on the provision for interest payable	(0.3)	0.3	0.0	0.0	0.0
Total movement in interest rate derivatives	3.3	(7.7)	(4.4)	3.6	(8.0)
Exchange rate derivatives:					
Revaluation of transactions accounted for as hedging instruments	0.0	(4.5)	(4.5)	0.0	(4.5)
Payment for transactions accounted for as hedging instruments	(2.6)	2.6	0.0	(2.6)	2.6
Revaluation of loan hedging transactions in JPY	(0.3)	(0.3)	(0.6)	0.0	(0.6)
Completion of interest for hedging loans in JPY	(0.3)	0.0	(0.3)	0.0	(0.3)
Total movement in exchange rate derivatives	(3.2)	(2.2)	(5.4)	(2.6)	(2.8)
Total movement in derivatives	(0.9)	(10.4)	(11.3)	(0.2)	(11.2)
Balance as of March 31, 2023					20.9

Note 4 - Derivative Financial Instruments (continued)

Changes in fair value of financial instruments measured at fair value (continued):

	For the year ended December 31, 2023 (Audited)				
	Impact on profit and loss for the year	Impact on other comprehensive income for the year	Total impact on Group equity	Cash flow in respect of derivatives	Increase in asset / Decrease in liability (Decrease in asset / Increase in liability)
	USD millions	USD millions	USD millions	USD millions	USD millions
Jet fuel derivatives:					
Balances for jet fuel derivatives as of January 1, 2023		(0.1)			0.9
Revaluation of transactions accounted for as hedging instruments	-	1.9	1.9	-	1.9
Receipt for transactions accounted for as hedging instruments	10.0	(10.0)	-	10.0	(10.0)
Loss from premiums due to expiration of derivatives designated as hedging instruments	(5.6)	5.6	-	-	-
Premium payments for hedging instruments	-	-	-	(9.2)	9.2
Total movement in jet fuel derivatives	4.4	(2.5)	1.9	0.8	1.1
Interest rate derivatives:					
Balances for interest rate derivatives as of January 1, 2023		40.6			42.3
Revaluation of transactions accounted for as hedging instruments	-	5.8	5.8	-	5.8
Receipt for transactions accounted for as hedging instruments	16.5	(16.5)	-	16.5	(16.5)
Effect of hedging on the provision for interest payable	(0.1)	0.1	-	0.0	0.0
Total movement in interest rate derivatives	16.3	(10.5)	5.8	16.5	(10.7)
Exchange rate derivatives:					
Balances for exchange rate derivatives as of January 1, 2023		(2.5)			(11.1)
Revaluation of transactions accounted for as hedging instruments	-	(9.1)	(9.1)	-	(9.1)
Payment for transactions accounted for as hedging instruments	(16.2)	16.2	-	(16.2)	16.2
Revaluation of loan hedging transactions in JPY	(1.9)	(0.2)	(2.1)	-	(2.1)
Completion of interest for hedging loans in JPY	(1.2)	-	(1.2)	-	(1.2)
Total movement in exchange rate derivatives	(19.2)	6.8	(12.4)	(16.2)	3.8
Balance as of December 31, 2023		31.8			26.3

Note 5 - Loans and Bonds

A. Ratio of loan balance to collateral:

Further to Note 14.D to the annual financial statements, as of March 31, 2024, the Company is in compliance with the financial covenants as of the date of the statement of financial position of the ratio of the outstanding balance to the collateral value (LTV). It should be noted that due to the fact that the covenants as mentioned are based on global aircraft pricelists, the outbreak of the War, has no effect on the financial covenants as mentioned.

B. Fair value of loans:

	As of March 31, 2024		As of March 31, 2023		As of December 31, 2023	
	(Unaudited)		(Unaudited)		(Audited)	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	USD millions	USD millions	USD millions	USD millions	USD millions	USD millions
Fixed-interest loans from financing entities	280.1	269.4	314.3	312.6	295.7	285.9

The fair value of the loans is based on the calculation of the present value of the cash flows according to the interest rate curve on the same date (level 2 - based on observed data). With the exception of the loans listed in the table above, the fair value of the other financial assets and financial liabilities is approximately equal to their book value.

C. Loans from the controlling shareholder

Further to Note 14.F to the annual financial statements, during April 2024, subsequent to the date of the statement of financial position, and to Note 8 below regarding the Company's capital issuance, the Company repaid part of the shareholder loans (as defined in the periodic report), which were provided to the Company by the controlling shareholder Kanfei Nesharim Aviation Ltd. (the "controlling shareholder"), in the amount of approx. USD 60 million. As a result of the repayment, the balance of loans from the controlling shareholder amounts to approx. USD 10 million. See Note 10 below.

Note 6 - Legal Proceedings

As of March 31, 2024, a total of approx. USD 436 million in lawsuits (not including the amount of the claim filed against the Company on April 9, 2024, subsequent to the date of the statement of financial position - see Section C below) and additional lawsuits that are not quantified in monetary amounts are pending against the Group. In respect of these claims, the Group recognized a provision in the financial statements in the total amount of approx. USD 13 million. In the opinion of the Group's management, which is based on the opinion of its legal counsel, it is not expected that the Group will be exposed to an additional loss in respect of the above claims beyond the amounts of the provisions included in these financial statements.

The following are changes regarding significant legal proceedings against the Group, in relation to that stated in Note 16.B to the 2023 Financial Statements.

A. Further to Note 16.B.10 to the 2023 financial statements, regarding a request for approval of a class action, which was filed against the Company and against a subsidiary "El Al Frequent Flyer Ltd." (the "respondents") in the Tel Aviv-Jaffa District Court, in which it is alleged, among other things, that although the respondents' publications indicate that they are aware that club members may be overcharged for bonus tickets, and although the respondents undertake to conduct "control and inspection" and credit the customer's account once per quarter in the event of an overcharge, a significant number of orders made by the applicant and his wife proves that the respondents are in breach of their commitment, on March 11, 2024, a judgement was issued that approved the applicant's withdrawal from the request for approval after it was clarified that the respondents had acted to credit all their overcharged customers with points whose total value amounts to an immaterial amount, and after the parties reached additional agreements regarding the future conduct of the respondents as detailed in the withdrawal arrangement.

B. Further to Note 16.B.6 to the 2023 financial statements regarding a request for approval of a class action lawsuit filed in July 2020 against the Company in the Central District Court, in which it was alleged, among other things, that the Company does not refund its customers the amounts paid for tickets on flights canceled in the Corona period within the time set for this in law and that apparently the Company does not inform consumers and the public regarding their right to a refund and/or that they must apply in writing for the refund, on March 24, 2024 a judgment was given approving the settlement agreement reached by the parties. As part of this settlement, the Company undertook to continue to refund the balance of its customers' money for flights canceled during the Corona period, starting on February 1, 2020 and ending on March 1, 2022, subject to and in accordance with the provisions of the settlement, and it was also agreed that compensation will be paid to the applicant and fees to his attorney in non-material amounts.

Note 6 - Legal Proceedings (continued)

C. On April 9, 2024, subsequent to the date of the statement of financial position, the Company's offices received a request for approval of a class action against the Company and against a subsidiary "El Al Matmid Frequent Flyer Club Ltd. (the "Frequent Flyer Club") at the Tel Aviv District Court.
In this request, it is claimed that the members of the Frequent Flyer Program accumulate "diamonds" from two sources - the purchase of airline tickets for flights of the Company or its partners and through the use of credit cards in which the Company is a partner and which is known as Fly Card Premium cards. According to the applicant, the Company supposedly deletes the remaining diamonds that a member of the Frequent Flyer Program has accumulated when it examines his eligibility for the status, allegedly illegally and without it being anchored in the Articles of Association. According to the applicant, he and the members of the group he represents have various causes of action, among others, under the Consumer Protection Law, 1981 and the Unjust Enrichment Law, 1979.
The group whose representation was requested was defined in the application as "every member of the Frequent Flyer Program who, at the time of his status review (whether his status was raised, maintained or lowered), a respondent deleted diamonds and/or status points from his account in excess of the number of diamonds/status points required for the new status, in a period starting seven years prior to the submission of the request for approval and until the approval of the class action".
According to the applicant, the Company allegedly deleted 2,561 of his diamonds, and according to his calculation, the alleged personal damage caused to him in seven years amounts to NIS 6,447. The alleged damage to the members of the group was estimated by the applicant at NIS 800 million.
The Company is studying the request and will submit its response to the court as required. In view of the early stage of the application, the Company is unable to assess its chances.

D. Further to Note 16.B.8 to the 2023 financial statements, regarding a request for approval of a class action, which was filed against the Company in the Central District Court, claiming that prior to the purchase of a certain amount of tickets within the same order (usually from a quantity of 2-3 or more), the Company's systems transfer all the tickets to a higher price level starting with the first ticket, when the alleged damage caused to the group was supposedly in the amount of NIS 147 million, on April 14, 2024, subsequent to the date of the statement of financial position, a judgment was issued rejecting this request outright while charging the applicant for the Company's expense. Among other things, it was determined in the judgment that the request seeks to bring up for discussion the grounds that were discussed as part of a previous request for the approval of a class action, which was filed against the Company and which was decided in the manner stipulated in the settlement agreement as to how the Company should act.

E. Further to Note 16.B.(2) to the 2023 financial statements, regarding the appeal notice submitted by the applicants in the consolidated approval request to the Supreme Court, on the judgment given in the Central District Court in which a consolidated request for approval of a class action, filed against the Company and against other Israeli airlines, was rejected and where various claims were raised regarding the collection of the "security levy" payment, on May 23, 2024, subsequent to the date of the statement of financial position, a hearing was held in the Supreme Court, at the end of which the appeal was rejected, putting an end to the action.

Note 7 - Operating revenue

Composition:

	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023
	USD millions	USD millions	USD millions
	(Unaudited)		Audited
Revenues from passenger aircraft:			
Revenues from passengers on the Company's scheduled flights	623.8	438.5	2,160.8
Revenues from cargo transported in passenger aircraft	50.0	23.4	113.7
Revenues from Sundor flights	24.5	13.2	126.4
Total revenues from passenger aircraft	698.3	475.1	2,400.9
Revenues from cargo transported in cargo aircraft	25.7	12.0	50.9
Total revenues from passenger and cargo flights (*)	724.0	487.1	2,451.8
Other income (1)	14.0	12.9	51.3
	738.0	500.0	2,503.1

(*) The following is a breakdown of the Company's revenues from passenger and cargo flights by geographic areas:

	For the three-month period ended March 31		For the year ended December 31
	2024	2023	2023
	USD millions	USD millions	USD millions
	(Unaudited)		Audited
America	322.4	180.9	938.8
Europe	309.8	210.0	1,189.7
Asia and Africa	91.8	96.2	323.3
Total revenues from passenger and cargo flights	724.0	487.1	2,451.8

(1) Other revenues mainly include income from sales of Duty-Free products, flight food services, maintenance services for other entities, Frequent Flyer Program membership fees, unloading and loading services, etc.

Note 8 - Capital, Retained Earnings and Share-Based Payment

A. Capital raising:

In a capital raising that took place on April 1, 2024, subsequent to the date of the statement of financial position, the Company issued ninety-two million (92,000,000) ordinary shares of the Company, with a par value of NIS 1 each, together with ninety-two million (92,000,000) options (Series 3), exercisable for Company shares against a cash payment of an exercise price in the amount of NIS 5.70 per option (Series 3), with the exercise price linked to the USD exchange rate known at the beginning of March 31, 2024.

The total proceeds received for the issuance of the shares and the options amounted to a total of approx. NIS 511 million (approx. USD 140 million). The proceeds, net of issuance costs, amounted to a total of approx. NIS 497 million (approx. USD 135 million), which will be recorded to the Company's capital in the second quarter of 2024. It should be noted that the expected additional proceeds to the Company, assuming that all the options (Series 3) will be fully exercised, is approx. NIS 524 million (subject to the USD exchange rate on the date of exercise) which will constitute approx. USD 143.8 million. The capital raising was carried out based on the shelf offering report published by the Company on March 31, 2024, according to the shelf prospectus published on August 15, 2023.

B. Share-based payment:

On April 15, 2024, subsequent to the date of the statement of financial position, the Company's Board of Directors approved a private allocation of 1,700,000 non-negotiable and non-transferable options, exercisable for the Company's ordinary shares with a par value of NIS 1 each, without consideration, to seven offerees who are officers in the Company, none of whom is the Company's CEO or a director, in accordance with and subject to the terms of the Group's "2022 Options Allocation Plan" that was adopted by the Company's Board of Directors on August 10, 2022 (the "2022 Options Plan"). The options are granted to the offerees through a trustee within the framework of Article 102 of the Income Tax Ordinance in the capital gains track.

The options will vest over a period of 3 years, and 1/3 of the total options granted will vest and become exercisable after every 12 full months of continuous service of each offeree, starting from January 1, 2024.

The options will be exercisable from the vesting date until the end of 7 years from the grant date. Options that are not exercised by the end of the aforementioned exercise period will expire and will not grant any right to the relevant offeree. The options were actually allocated on May 7, 2024.

The fair value of the options on the grant date is approx. NIS 3.8 million (approx. USD 1.0 million). In order to determine the fair value of the option, the Company engaged an external expert, implementing a B&S (Black and Scholes) mechanism.

In addition, on April 15, 2024, subsequent to the date of the statement of financial position, the Company's Board of Directors approved an outline plan for employees for an allocation of up to 10,000,000 non-negotiable and non-transferable options, exercisable for up to 10,000,000 of the Company's ordinary shares with a par value of NIS 1 each, without consideration, of which 5,150,000 options were actually granted to 46 employees of the Company and its subsidiaries, who are not Company officers, in accordance with and subject to the terms of the 2022 Options Plan. The options are granted to the offerees through a trustee within the framework of Article 102 of the Income Tax Ordinance in the capital gains track.

The options will vest over a period of 3 years, and 1/3 of the total options granted will vest and become exercisable after every 12 full months of continuous service of each offeree, starting from April 1, 2024.

The options will be exercisable from the vesting date until the end of 7 years from the grant date. Options that are not exercised by the end of the aforementioned exercise period will expire and will not grant any right to the relevant offeree.

The fair value of the options actually granted as of the grant date is approx. NIS 10.5 million (approx. USD 2.8 million). In order to determine the fair value of the option, the Company engaged an external expert, implementing a B&S (Black and Scholes) mechanism. The options were actually allocated on May 7, 2024.

Note 8 - Capital, Retained Earnings and Share-Based Payment (continued)

	Allocation of options to 7 offerees who are Company officers	Allocation of options to 46 offerees who are not Company officers
Number of options	1,700,000	5,150,000
Number of recipients	7	46
Share price (in NIS) (*)	4.59	4.59
Exercise price (in NIS) (**)	4.80	4.80
Risk-free interest rate	4.16%	4.0%
Fair value of option (in NIS)	2.23	2.03
Expected volatility	41.08%	49.55%
Estimated life of the option (in years)	7	4.4

(*) The closing price of the Company's shares on the stock exchange on April 14, 2024, the trading day preceding the date of the Board of Directors' decision, was NIS 4.59.

(**) The exercise price is determined as the share price according to the average of the last 30 days preceding the date of approval of the Board of Directors. It is not linked to any linkage base.

C. Exercise of options:

Further to Note 18.B to the annual financial statements, during the first quarter of 2024, approx. 337,970,078 options were exercised, in exchange for 53,558,118 shares with a par value of NIS 1 and for the exercise supplement which was paid to the Company in the amount of approx. USD 30.9 million. In addition, subsequent to the balance sheet date and until close to the date of approval of the financial statements, approx. 70,572,219 options (Series 2) were exercised for approx. 11,183,580 shares with a par value of NIS 1, for an exercise supplement of approx. USD 6.5 million. As of a date close to the publication of the financial statements, there are 495,390,973 options (Series 2) exercisable for the Company's shares (at a ratio of approx. 6.31 options per share).

Note 9 - Additional Events In and After the Reporting Period

A. The rate of State participation as of a date close to the approval of the report is 97.5%. The agreement regarding the regulation of civil aviation security system activities was extended several times. In April 2024, an extension was signed, according to which the government approved an extension of the agreement until December 31, 2024 or until the signing of a new agreement, whichever is earlier, as long as the Company continues to provide aviation security services to Israeli airlines according to the instructions and guidelines of the General Security Service.

B. Against the backdrop of the continued security events between Russia and Ukraine and the imposition of international sanctions and insurance exclusions that did not allow the continuation of the Company's flights to Russia and in view of the State's interest in the continuation of the flights, the State continues to grant the Company a guarantee with the addition of insurance coverage which is an adequate replacement for the insurance coverage that the Company actually had before the outbreak the aforementioned events, thereby enabling the continuation of the Company's flights to Russia.

C. Further to Note 21.B to the annual financial statements, regarding the Company's engagement in an agreement with Issta Ltd. for the establishment of a jointly owned company, the parties agreed that the agreement will expire on May 29, 2024, including due to the non-fulfillment of the precondition for its entry into effect, as well as due to the continuation of the War, and the security and economic uncertainty prevailing in the country, and in the tourism industry in particular. The Company will examine the timing for continuing its activities for entering the field of tourism, among other things depending on the continuation of the War and its consequences, as part of its strategic plan.

Note 10 - Interested Parties and Related Parties

A. On March 13, 2024, the Company's shareholders' meeting (the "Meeting") approved the appointments of Rabbi Yitzhak Levy (second term) and Ms. Iris Cibulski Havilio (first term) as external directors of the Company, for a period of three years starting from the date of approval of the meeting. The meeting also approved amendments to the Company's remuneration policy.

B. On April 8, 2024 and on April 14, 2024, the General Meeting of the Company's shareholders and the Company's Board of Directors, respectively, approved the renewal of letters of indemnity to Mr. Kenneth Neil Rozenberg and Mr. Darrell Hegler, who serve as Deputy Chairmen of the Company's Board of Directors (the "Deputy Chairmen of the Board"), for a period of three years, in the same version as for the other directors and officers of the Company, in accordance with the Company's remuneration policy. In the meantime, on April 25, 2024, the Company published a summons report for the convening of a special shareholder meeting which is expected to convene on May 30, 2024, the agenda of which is to approve the renewal of letters of indemnity granted to the Deputy Chairmen of the Board for a period of three years.

C. On April 14, 2024 and on April 15, 2024, the Company's Audit and Remuneration Committee and Board of Directors, respectively, approved a renewal of the engagement with Tabernacle Winery, which is owned by the Company's controlling shareholder, for the supply of wine to the Company's aircraft until March 31, 2025, or until the end of inventory, whichever is later.

It should be noted that the engagements in Subsections B and C above were approved by the Audit and Remuneration Committee and by the Board of Directors after being classified by the Audit and Remuneration Committee as non-exceptional engagements.

D. For information regarding the repayment of part of the shareholder loans, see Note 5 to the financial statements.

E. For additional information regarding additional engagements and agreements in effect, see Note 22 to the 2023 Periodic Report.