

Periodic Report for

2025



El Al Israel Airlines Ltd.



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This English translation of the Company's annual report for the year ended December 31, 2025 ("English Translation") is provided for information purposes only.

In the event of any conflict or inconsistency between the terms of this English Translation and the original version prepared in Hebrew, which was published on February 25, 2025, on the Israeli Securities Authority and Tel Aviv Stock Exchange websites (link <https://maya.tase.co.il/he/reports/companies/1724382>), the Hebrew version shall prevail and shareholders should refer to the Hebrew version for any and all financial or other information relating to the Company.

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EL AL



Chapter A

Description of the Corporation's Business Report
EL AL Israel Airlines Ltd.

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Chapter 1: General

EL AL Israel Airlines Ltd. hereby respectfully submits the Description of the Corporation's Business Report as of 31 December 2025, which describes the Corporation and the development of its business, as occurred in 2025.

The data appearing in this chapter are correct as of the Report Date or Shortly Before Approval of the Report, unless stated otherwise.

The materiality of the information included herein was examined from the perspective of the Company, while in some cases further description is provided to give a comprehensive picture of the issue described.

Legend

For the sake of convenience, in this Periodic Report, the following terms shall bear the meaning set forth alongside them:

"Board Report"	Company's board of directors' report on the state of the Corporation's affairs for the year ended 31 December 2025 (Chapter B)
"Dollars" / "\$"	U.S. dollars
"TASE"	Tel Aviv Stock Exchange Ltd.
"Periodic Report"	The periodic report for 2025
"2024 Periodic Report"	The periodic report for 2024 released by the Company in March 2025 (Ref. 2025-01-016342)
"2022 Periodic Report"	The periodic report for 2022 released by the Company (by way of a corrective report) on 15 August 2023 (Ref. 2023-01-075979)
"Financial Statements"	The consolidated financial statements of the Company for the year ended 31 December 2025 (Chapter C)
"State"	The State of Israel
"Shortly Before Approval of the Report"	23 February 2026
"Group"	The Company and its subsidiaries
"Covid"; "Covid Pandemic"	The global Covid-19 pandemic
"Corporation" or "Company" or "EL AL"	EL AL Israel Airlines Ltd.
"War"	The Swords of Iron war
"FF Company"	EL AL Frequent Flyer Ltd.
"Fifth Freedom"	The transport of passengers or cargo between two foreign countries by the carrier of a third country
"Sixth Freedom"	The transport of passengers or cargo between two foreign countries with a layover in the air carrier's country. For example, a flight of a European airline from Israel to the U.S. via an airport located in the country of such airline in Europe
"Companies Law"	The Companies Law, 5759-1999
"Government-Owned Companies Law"	The Government-Owned Companies Law, 5735-1975

"Securities Law"	The Securities Law, 5728-1968
"Dry Lease"	The lease of an aircraft where the lessee bears the responsibility for the crew, maintenance and insurance
"Wet Lease"	The lease of an aircraft along with its crew, maintenance and insurance
"IATA"	International Air Transport Association
"Report Date"	31 December 2025
"Kanfei Nesharim"	Kanfei Nesharim Aviation Ltd.
"BGA"	Ben Gurion Airport
"Sundor"	Sun d'Or International Airlines Ltd.
"Additional Details on the Corporation"	Additional details on the Corporation for the year ended 31 December 2025 (Chapter E)
"Cockpit"	Cockpit Innovation Ltd.
"IAA"	Israel Airports Authority
"CAAI"	Civil Aviation Authority of Israel
"Report Year"	2025
"TAMAM"	TAMAM Aircraft Food Industries (Ben Gurion Airport) Ltd.
"ICAO"	International Civil Aviation Organization.
"RPK"	Revenue Passenger Kilometer – number of paying passengers multiplied by distance travelled
"R/RPK"	Revenue / Revenue Passenger Kilometer – reflects the km-weighted average revenue per passenger
"ASK"	Available Seat Kilometer – number of seats offered for sale multiplied by distance travelled
"RASK"	Revenue per ASK – passenger revenue divided by ASK. Reflects average revenue per available seat-kilometer
"PLF"	Passenger Load Factor (RPK/ASK)
"TRASK"	Total revenue per ASK – total revenue divided by ASK. Reflects the Company's total revenue per available seat-kilometer



Chapter 2: Description of the General Development of the Corporation's Business

1. The Corporation's operations and description of the development of its business

1.1 General

The Company and the subsidiaries operate in the industry of passenger and cargo air transport to and from Israel. The Group primarily operates scheduled flights and charter flights (by the Company and by Sundor). The Group also operates a customer loyalty program under which it collaborates with financial institutions in a branded credit card venture through the FF Company. The Group further engages in related operations, such as Sundor-operated charter flights, the sale of duty-free products, the production and supply of food for airlines (including the Company itself) operated by the subsidiaries TAMAM and Borenstein, and the provision of ongoing aircraft maintenance and comprehensive aircraft maintenance services, including the aircraft of the Company itself. In addition, the Company operates in the development and enterprise segment through Cockpit, a subsidiary. Of note, in accordance with arrangements vis-à-vis the State, the Group also operates, through the Company, in the segment of provision of Israeli aviation security services.

The business environment in which the Company operates is international civil aviation and tourism to and from Israel, characterized by intense competition and high sensitivity to the economic, political and security situation in Israel and around the world, subject to the provisions of Section 1.2 below, in view of the War.

1.2 The Swords of Iron War and Operation Rising Lion

The ongoing security situation in the course of the Report Year had a material impact on the aviation industry in Israel, including on the supply of seats in the market and its stability, the general demand for flights, and the nature and volume of passenger traffic. For details regarding the primary developments in the business activity during the Report Year, *inter alia*, against the backdrop of the War and Operation Rising Lion, see the introduction of the Board Report.

Below are details regarding the primary commercial, operative and operational actions taken and being taken by the Company against the backdrop of the War and Operation Rising Lion:

Upon the outbreak of the War and in the course of the Report Year, as the airline that boasts the Israeli flag on the tails of its aircraft, the Company endeavored to aid the State and its citizens as part of the war effort. The Company's operations focused on maintaining aerial access to and from Israel, while proceeding with its operating efforts to increase the supply of flights within the limits of its production capacity, and making commercial, operative and operational adjustments.

Maintaining aerial access was made possible thanks to the Company's ability to run a civil airline in an environment of an ongoing multi-front war. In so doing, the Company worked and works in full and constant coordination with all relevant authorities' functions and competent defense functions, including CAAI, IAAI, the Israel Security Agency (Shin Bet), the IDF, etc., and also operated a crisis room which is headed by VP Flight Operations for the purpose of managing the various events, including: Missile attacks, Operation Rising Lion, runway updates, flight route changes, and all with meticulous risk management. For example, during Operation Rising Lion, the Company transitioned to emergency mode, with its ongoing operations being managed from a special operations room at the Company's offices.

The Company also implements a strict pricing policy for its flight tickets under which, in view of and depending on security events, the Company cuts down the prices of economy-class flight tickets. Furthermore, during the Report Year and depending on the escalation of security events, the Company occasionally deepened the reduction of maximum flight ticket prices across its entire route network. The Company also set maximum prices for inbound flights (one-way flights)

for a fixed period, in the service of Israelis left stranded outside of Israel due to flight cancellations by foreign airlines.

Community support following the War

In the course of the Report Year, the Company continued to support activities that assist the Hostages and Missing Families Forum, in the context of which the Company flew relatives of the hostages and their representatives to various countries around the world, to promote the informational and diplomacy efforts in connection with the endeavor to release the hostages. For further details regarding the actions taken by the Company to support the community, see Section 8.10.2 below.

Issuance of alternative aviation insurance policies through the State

Upon the outbreak of the War, the Company received notices from insurers that take part in its aviation insurance of their intention to exclude the State of Israel from the applicability of the Company's aviation insurance. For details regarding the issuance of alternative aviation insurance policies by the State through Inbal Insurance Company Ltd., and regarding the removal of the exclusion as aforesaid, see Section 8.2 below.

Lenient commercial policy for the Company's customers

In the course of the Report Year until Shortly Before Approval of the Report, the Company released a lenient cancellation and change policy for its customers, which has been extended and updated from time to time, as required and depending on the security situation and the aviation situation in Israel, including for security forces and military reserve personnel.

Cyber and information security measures

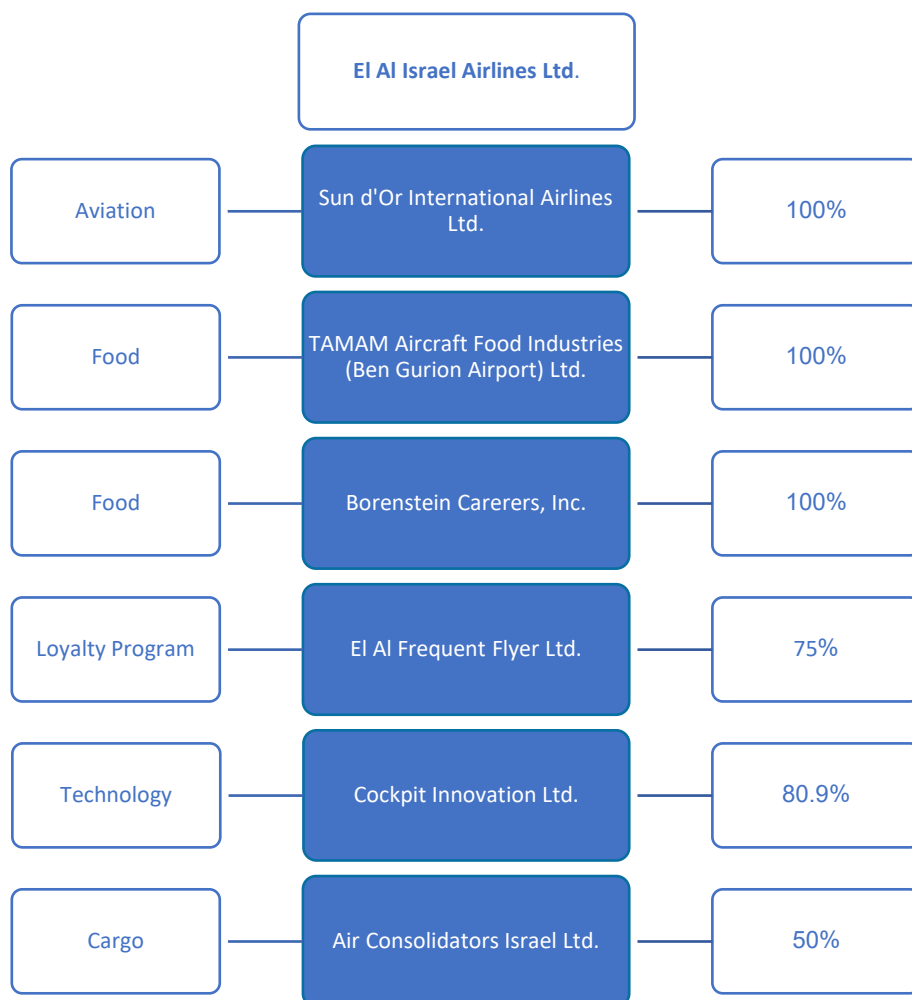
As a rule, the Company manages cyber risks as part of its risk management strategy. In view of the continuation of the War, and against the backdrop of the development of sophisticated cyber threats based on Artificial Intelligence (AI) and the ongoing geopolitical tensions, the Company continues to invest significant additional resources in information security and cyber protection, while investing in real-time monitoring, detection, and response technologies. In this context, the Company continues to take additional actions to increase its technological emergency preparedness and raise the awareness, vigilance and alertness of its employees in the field of cyber and information security. During the Report Year, the Company focused on strengthening its cyber resilience and ensuring functional continuity, while increasing control over supply chain cyber risks and among outsourcing providers. The Company also continues to carry out control and monitoring, with regular operation and reporting to the Company's management, including periodic reports to the Company's board of directors (the "**Board**"). For details regarding cyber risks that apply to the Company and its methods of handling these risks, see Section 8.16.6 below.

For further information regarding the implications of the War for the Company's operations, and the actions the Company is taking to handle the War, see the introduction to the Board Report and Note 1 to the Financial Statements.



1.3 Holdings Chart

The following chart presents the structure of the Company's investee holdings as of Shortly Before Approval of the Report (the percentages specified in the chart reflect the Company's holding in the investees):*



For details about Superstar Holidays Limited which has been liquidated and EL AL Israel Airlines Gulf FZCO, with respect to which the Company is taking measures for its voluntary liquidation, see Section 8.7.1 below.

For details regarding the exercise of the option to purchase 5.1% of the FF Company's shares by Phoenix, see Section 7.6.3 below and Note 14 to the Financial Statements.

For details about the operations of the above-listed investees and other entities, see Section 8.7.1 below.

1.4 Year and Form of Incorporation of the Corporation

The Company was incorporated as a limited liability company on 15 November 1948.

1.5 Changes in the Method of Management of the Corporation's Business

For further details, see Note 21 to the Financial Statements.

2. Operating Segment

The Company has one operating segment, "air transport".

Accordingly, in this report, information is presented regarding the operations of the Group in the air transport sector through passenger aircraft and all-cargo aircraft, as well as activity related to this sector.

3. Investments in the Corporation's Capital

In the Report Period, there were no investments in the corporation's capital. In August 2025, the Israel Securities Authority announced an extension of the period during which securities may be offered under the Company's shelf prospectus, which was released on 15 August 2023, until 15 August 2026. For further details, see the immediate report released by the Company on 11 August 2025 (Ref. 2025-01-05019307).

4. Distribution of Dividends

In 2024-2025, no dividends were distributed.

As of the Report Date, the Company's balance of profit available for distribution totaled approx. \$944.7 million (without taking into account the distribution carried out after the Report Date, as detailed below).

On 5 January 2026, the Company's Board decided (subject to the dividend distribution restrictions applicable to the Company under the agreement with the State) on a dividend distribution in the amount of 57 Agorot per ordinary share. The total dividend amount was approx. ILS 323 million (approx. \$102 million), which was distributed from the balance of profit available for distribution. The dividend amount was paid on 27 January 2026.

For further details regarding the addendum to the agreement with the State dated 18 March 2021, including the restrictions applicable to the Company regarding dividend distribution, see the immediate report released by the Company on 14 April 2025 (Ref. 2025-01-027214), and Note 18 and Note 21 to the Financial Statements. For further details regarding the dividend distributed during January 2026, see Note 18.G. to the Financial Statements.

5. Financial Information regarding the Corporation's Operating Segment

As described in Section 2 above, the Company has one operating segment. For details regarding the Company's business results and developments that occurred in the Company's business results in the Report Year, year-over-year, see the Financial Statements and Section A3. of the Board Report.

6. General Environment and the Impact of External Factors on the Corporation

For details regarding IATA's assessment of the international airline industry's profitability and the forecast expected for 2026, see Section A.2.1 of the Board Report. For further details regarding data on passenger traffic at BGA, inbound tourists and BGA outbound residents, details regarding the development of jet fuel prices and exchange rates during the Report Period, see Section A.2.1 of the Board Report.

Chapter 3: Description of the Corporation's Business by Operating Segment

Presented below is a description of the Group's business with respect to its operating segment. This chapter mainly describes the operations in the Report Year.

7. The Air Transport Operating Segment

7.1 General Information on the Operating Segment

For details regarding the Company's operations, see Section 1.1 above. Described below are trends, events and developments in the Group's macroeconomic environment which have or are expected to have a material effect on the business results or the developments in the operating segment.

7.1.1 Structure of the operating segment and changes therein

Originally, Israel's aviation policy was regulated by a resolution of the Ministerial Committee for Social and Economic Affairs (Resolution SE/14 of 19 May 2003) in relation to the Company's appointment as "Designated Carrier" on all routes where it acted as "Designated Carrier" thereon, and after such date, several government resolutions were adopted that determined, *inter alia*, Israel's aviation policy with respect to the Company's activity and the State's participation in the security expenses of the Israeli airlines.

For details regarding the "open skies" agreements that were signed between Israel and the U.S. and the European Union, see Section 7.1.9 below. For details regarding restrictions on and supervision of the Company's business which apply to the aviation operations, including the aviation rights granted to the Company, see Section 8.11 below.

7.1.2 Legislative restrictions, standardization and special constraints that apply to the operating segment

The air transport operating segment is characterized by international and domestic regulatory restrictions in various fields, which are determined in international agreements and treaties and in domestic legislation. The said international and domestic arrangements also determine terms and conditions and arrangements pertaining to operations and the liability of the air carrier for damage and flight delays and cancellations. For details regarding regulatory arrangements and restrictions that apply to the Company's activity, see Section 8.11 below.

With regards to the transportation of cargo on all-cargo aircraft, the policy of the aviation authorities around the world in connection with the granting of authorizations tends to be more lenient than in the field of passenger aircraft, which particularly affects the possibility of performing flights of all-cargo aircraft also in the "Fifth Freedom".

The Company is obligated to operate also according to the domestic legislation and relevant government resolutions which pertain to its activity (including in relation to aviation service security), as specified in Section 8.11 below.

7.1.3 Changes in the volume of operations in the segment and in its profitability

For details regarding developments in the Israeli market and international developments in the operating segment, see Section A.2.1 of the Board Report.

7.1.4 Developments in the markets of the operating segment or changes in the characteristics of its customers

In recent years, except in the period of the Covid pandemic, there was a considerable intensification of competition in the field of transportation by passenger aircraft between dozens of international full-service carriers (FSCs), Low-Cost carriers (as defined in Section 7.1.9 below) and

charter carriers. The intensification of competition is expressed also in greater diversification of destinations and increased frequency of flights operated by airlines. With the War at the background, foreign airlines intermittently cancelled some of the flights to and from Israel, according to the changing security situation and the lack of stability in this context throughout the Report Year. As stated, in view of the ceasefire from October 2025, foreign carriers have gradually resumed regular flight operations.

7.1.5 Critical success factors in the operating segment and changes therein

For details regarding the positive factors that affect or may affect the Company's competitive position in the operating segment, see Section 7.8 below.

7.1.6 Changes in suppliers and raw materials for the operating segment

For details regarding the main raw material and suppliers of the Company in the operating segment, see Section 8.5 below.

7.1.7 The main barriers to entry and exit of the operating segment and changes therein

The main barriers to entry are as follows: The relatively large initial investment required for the establishment and operation of an airline, including the acquisition or lease of aircraft; compliance with regulatory requirements, including receipt of licenses pursuant to the aviation laws; growth in the number of airlines, which leads to congestion at airports and difficulty in receiving airport takeoff or landing slot allocations ("Slots") at the busiest key airports. This barrier may prevent the opening of new routes or the improvement of flight schedules on existing routes; another barrier is the availability of various types of aircraft for acquisition or lease, which restriction may also affect the possibility of expanding in the short term and of responding ad hoc to a developing market with potential for expansion of operations. A further barrier is the difficulty to recruit and retain professional and skilled manpower. The restrictions imposed on the Company by the holder of the Special State Share with respect to reduction of the Company's aircraft fleet, constitutes a barrier to exit, in addition to the Company's long-term liabilities in financing agreements and dry aircraft leases, which are also a barrier to exit. For further details about the restrictions imposed on the Company pursuant to the Special State Share, see Section 8.11.9 below. For details regarding the option of establishing a base of operations for a foreign airline in Israel, see Section 7.8.3 below.

7.1.8 Substitutes for the services of the operating segment and changes therein

The substitutes for transportation by passenger aircraft and all-cargo aircraft are transportation by land and sea, while all-cargo aircraft are substitutes for the transportation of cargo in the hold of passenger aircraft. In Israel there is no significant substitute for the transportation of passengers by air.

7.1.9 The structure of competition in the operating segment and changes therein; developments in the markets of the operating segment

(a) General – competition in the operating segment

In the field of transportation by passenger aircraft there is fierce competition between dozens of commercial international airlines: full-service carriers, low-cost carriers and charter carriers. The airlines compete in various aspects, chief of which are prices, flight dates and frequency, operational accuracy, aircraft type, aircraft configuration, passenger service, customer experience, frequent flyer benefits, fees and special incentives for travel agents, structure of the websites and apps for bookings and receiving information, etc.

In the field of cargo transportation there are four types of competitors: companies which carry cargo only on all-cargo aircraft; companies which carry cargo only in the hold of passenger aircraft; companies, similarly to EL AL, which carry cargo both on all-cargo aircraft and in the hold of passenger aircraft, and courier companies which fly, in addition to the courier services, also other cargo on their aircraft. In the Company's estimation, expansion of the scheduled flights to

and from Israel on passenger aircraft which are able to carry cargo in their hold increases competition in the cargo operations.

The competition is through airlines which operate direct flights to a destination (non-stop flights) and through airlines which offer (one or more) layovers, including connections with other airlines (flights with a layover or "Sixth Freedom" flights).

The Company has limited possibilities to offer connections at BGA, which is its hub airport, in view of regulation restrictions and infrastructure preparedness at BGA.

The airlines compete with one another both through flights operated thereby and through flights of other airlines in order to create a variety of options for reaching the final destination without operating a direct flight, as enabled by a variety of agreements between airlines, such as interline agreements, codeshare agreements with and without an alliance and extensive joint ventures. For details regarding the Company's collaboration agreements during the Report Year and as of Shortly Before Approval of the Report, see Section 8.13 below.

For details regarding the Company's significant competitors in the operating segment, see Section 7.8 below.

Furthermore, airlines also collaborate with one another with respect to frequent flyer programs, as part of program collaboration agreements which enable mutual earning and redemption of miles/points for members of the frequent flyer programs of both contracting airlines, on routes on which the airlines operate. For further details, see Section 8.13 below.

In addition, certain regulatory changes may affect the structure of competition in the operating segment. For details see Section 8.11 below.

(b) The "open skies" policy

The policy on liberalization of the aviation agreements implemented in the State of Israel in recent years leads mainly to growth in the offering of flights and in the seat capacity offered. This policy, which is expressed in an ongoing process of updating aviation agreements through removing the restriction or increasing the frequency cap and the number of airlines entitled to operate scheduled flights, leads, in times of normalcy, to an increase in the number of flights, and consequently a decrease in the prices of airline tickets and an increase in passenger traffic to and from Israel. In the context of this policy, in 2010, an "open skies" agreement was signed between Israel and the U.S. which led to the removal of the frequency and capacity restriction on the flights to and from Israel. In addition, the agreement allows commercial collaborations between the airlines of the two countries.

In addition, in 2013, an "open skies" agreement was signed between the State of Israel and the European Union, which was implemented in several stages, up to 2018. The agreement led to the removal of the frequency restriction on flights to and from Israel, and consequently to a significant increase in the offering of flights of the airlines that fly to and from Israel.

The growth in competition on routes to and from Europe, including commencement of the activity of the low-cost airlines on these routes and considerable expansion of their operations in recent years, has led to a decrease in the prices of the flights and to significant growth in the passenger traffic on these routes.

In recent years, updates have been made to aviation agreements between Israel and several countries, the volume of the traffic between which countries and Israel is significant, including Russia, Ukraine, Canada and India. It is noted that as of Shortly Before Approval of the Report, the Company does not fly to Ukraine, India and Canada.

Furthermore, agreements were signed between Israel and several Arab countries in the context of the "Abraham Accords", following which aviation agreements were signed between Israel and several countries.



7.2 Services in the Operating Segment

(a) General

The main services that the Company provides in this operating segment are flying passengers and cargo to various destinations on passenger and all-cargo aircraft.

During the Report Year, the Company, together with Sundor, operated passenger aircraft flights to dozens of direct destinations around the world, including destinations in Europe, North America, the Far East and the United Arab Emirates. In the Report Year, and in view of the War, the Company made operating and commercial changes and adjustments to its activity and its route network

In addition to the flights operated by the Company, the Company markets flights in the context of agreements with other airlines – interline agreements and codeshare agreements, as specified in Section 7.1.9 above. For details regarding the codeshare agreements to which the Company is party, see Section 8.13 below.

In addition, the subsidiary Sundor is mainly in the business of sale and marketing of scheduled flights in the Mediterranean Basin and in Europe to the public, travel agents and tourism wholesalers. Sundor also markets charter flights which are sold partially or entirely to tour operators.

Sundor's operations are characterized by short-haul flights, including vacation destinations and seasonal destinations, with the service profile being tailored to each specific destination. Most of the flights operated by the Company through Sundor only offer economy class.

The Company's flights are supported by a ground handling system which manages the boarding of the passengers and the loading of their baggage onto the aircraft, their disembarkation at the destination airport and the unloading of the baggage and handling of the cargo. Ground handling is carried out at BGA and at each of the destinations where the Company's aircraft land. At the same time, the Company operates, according to the instructions of the government security functions, through "Ofek – The Israeli Aviation Security System" ("Ofek"), ground security in all overseas airports from which Israeli airlines' aircraft fly, and air security, which operates during the passenger flights of Israeli airlines (ground security at BGA is operated by the IAA). For details regarding the security services provided by the Company to Israeli airlines, see Section 8.11.12 below.

For further details regarding the breakdown of the passenger traffic and market share of the Company in flights to or from various geographic regions, see Section A2. of the Board Report.

(b) Transatlantic routes

During the Report Year, the Company operated scheduled flights to several destinations in North America, including New York, Newark, Miami, Los Angeles, Boston and Fort Lauderdale.

(b)(1) Routes to Europe

As of Shortly Before Approval of the Report, the Company operates scheduled flights to dozens of destinations in Europe, including London (England), Paris (France), Amsterdam (Holland), Athens (Greece), Rome (Italy) and Barcelona (Spain). In addition, Sundor, as of the Report Year, operates flights to dozens of destinations in the Mediterranean Basin and in Europe, including Larnaca and Paphos (Cyprus), Warsaw and Krakow (Poland), Kishinev (Moldova), Thessaloniki, Rhodes and Crete (Greece), and Tbilisi and Batumi (Georgia). As of the 2025 summer season, Sundor also began operating flights to Tirana (Albania), Mikonos and Lefkada (Greece).

In the Report Year, flights to Kiev (Ukraine) were still suspended, in view of the geopolitical situation in Ukraine, where operations to Moscow (Russia) were resumed during May 2025.

(b)(2) Routes to the Middle East and the Far East

In the Report Year, the Company operated scheduled flights to several destinations, including Dubai (United Arab Emirates), Tokyo (Japan), Bangkok and Phuket (Thailand), making adjustments to the flight routes upon outbreak of the War and given its persistence, including suspension of operations in several routes.

(c) Domestic route to Eilat

In November 2025, the Company began operating a domestic route to Ramon Airport for the winter season.

7.3 Breakdown of Income and Profitability of Services

For details regarding data on a breakdown of the Company's income, see Note 20 to the Financial Statements.

7.4 New Services

✓ Changes in route network

In the Report Year, and in view of the War, the Company made certain adjustments to its route network as provided in Section 7.2 above.

✓ Refurbishment, upgrade and reconfiguration of aircraft and Wi-Fi on the Company's aircraft

As recovery from the Covid crisis began, the Company relaunched the project for refurbishing and upgrading the Boeing 777 aircraft fleet, which project includes replacement of the seats on Boeing 777 aircraft and reconfiguration of the aircraft to the configuration of the Company's Boeing 787 Dreamliner aircraft, which comprises 3 classes – business, premium and economy. In addition, in terms of the customer experience, the entertainment systems on Boeing 777 aircraft are being replaced with new systems. As of Shortly Before Approval of the Report, the process of reconfiguration of 3 Boeing 777 aircraft has been completed, and the process of reconfiguration of additional aircraft of this model is planned to continue in the upcoming years. For further details, see Section A2.3 of the Board Report and Note 10 to the Financial Statements.

As of Shortly Before Approval of the Report, Wi-Fi systems are available on some of the Company's aircraft. In the Report Year, the Company continued working to gradually restore the Wi-Fi system, with the work plan for installation of the Wi-Fi system being spread out over several years. The Company expects to continue with Wi-Fi installations in the Company's aircraft in 2026.

The Company's estimations as specified above, including as relating to completion of the upgrade of Boeing 777 aircraft and the continued installation of Wi-Fi systems in the Company's aircraft, constitute forward-looking information, within the meaning thereof in the Securities Law. Such forward-looking information is not a proven fact, may materialize in a materially different manner than the Company's intentions, and is based on the information in the Company's possession and on its estimations, to the best of its judgment, as of Shortly Before Approval of the Report. Materialization of these estimations is dependent, inter alia, on the availability of parts, depending on global supply chains, and the occurrence of events that are not the Company's responsibility, including the risk factors specified in Section 8.16 below.

7.5 Customers

The Company provides its services to both leisure and business passengers in Israel and abroad, with an emphasis on the U.S. market. The Company's flight tickets are sold via travel agents and package tour marketers, as well as directly by the Group, to companies and individuals. Among the Company's customers are the FFP members, who, as of Shortly Before Approval of the Report,

constitute some 3.58 million members, who hold approx. 525 thousand branded "Fly Card" credit cards, and who enjoy special benefits, including the earning of points on flights performed by the Company, and all as specified in Section 7.6.3 below. For details regarding Group's customer types, see Note 5 to the Financial Statements.

As of the Report Year, the Company had no customer, including a travel agent, the revenues from which or sales through which totaled 10% or more of the Group's total revenues. In the Company's estimation, it has no dependency on any single agent or customer.

7.6 Marketing, Distribution and Sales to Passengers

7.6.1 Marketing and sales to passengers

Activity for the marketing and sale of flight tickets, including baggage, seats, upgrades and flight-related products, is carried out in a variety of direct and indirect sale channels, as described below:

Direct sales

The Company's direct sale channels include: (1) the Company's website and app; (2) call centers (in Israel and overseas); (3) sales offices of the Company overseas; and (4) the Company's desks in airports in Israel and overseas.

In recent years, there has been a trend of growth in airline ticket sales online as a result of a change in the public's consumption habits. The Company is accommodating this trend by improving the Company's website and app and continuing to develop advanced digital marketing capabilities and tools. In the context of the improvements that have been made to the booking process on the digital channels, in addition to providing customers with the option of paying for flight tickets and related products in part with Matmid Frequent Flyer Program points, customers are given the possibility of making changes to flight tickets and buying the EL AL Protect service allowing cancelation of flights in exchange for credit vouchers, through the Company's website.

The Company has allowed its customers to cancel flight tickets according to the ticket terms and conditions through the Company's website and app, thus reducing the need for human response at the Company's Call Center.

As of Shortly Before Approval of the Report, the Company is continuing to invest in the sales and customer service digital platforms, according to the pace of growth in passenger numbers.

In the Report Year, sales via the Company's website increased compared with 2024.

Indirect sales

The Company's main distribution channels are travel agents (including general sales agents and online travel agents), travel companies and travel wholesalers.

Most of the travel agents are members of IATA and act as a channel for the sale of flight tickets for the Company and for other airlines. The travel agent channel in Israel serves as a sales platform for various segments which the Company services, including: the general public, business companies and groups. The travel agents are compensated with fees at rates that may vary from time to time.

Cargo sales – most of the Company's sales in cargo transport activity are performed through freight forwarders (including general cargo sales agents). The freight forwarders are compensated with various types of fees at varying rates.

Travel agents that are members of the agents' club (Sell & Fly) are entitled to earn points for their personal FFP account in respect of the sale of flight tickets of the Company to their customers,



and they have the option of redeeming the points earned to purchase the various products offered to FFP members.

Specified below are additional sale channels of the Company:

Sundor – Flights marketed by Sundor are distributed and sold on the distribution systems by travel agents, at the call center and on the Company's website. For further details regarding the activity of Sundor, see Section 8.7.1 below.

Advertising and marketing

In the Report Year and in view of the War, the Company has launched several campaigns for the benefit of the security, emergency and medical forces while in November 2025, a campaign was launched for the FFP members among them, in the context of which, special benefits were granted upon purchase of airline tickets.

Customers and service

The Company is attentive to surveys conducted among its customers and accordingly updates, from time to time, the food and wine menus offered on the Company's aircraft.

In November 2025, the Company conducted a pilot program in several selected destinations in whose context, the order in which passengers board the aircraft is determined by boarding groups, the aim being to streamline the aircraft boarding process and improve the service experience. Upon completion of the pilot program and according to its results, the Company will explore implementing the process in all of its destinations.

The Company's aforesaid estimations, including as pertaining to decreasing the need for human response by the Company's Call Center, constitute forward-looking information, within the meaning thereof in the Securities Law. Such forward-looking information does not constitute an established fact, which may materialize in a manner that materially differs from the Company's intentions, and it is based on the information the Company holds and on its estimations to the best of its judgment as of Shortly Before Approval of the Report. The materialization of these estimations depends, inter alia, on the occurrence of events for which the Company is not responsible, including the risk factors specified in Section 8.16 below.

7.6.2 Digital system for bookings, managing flights, check-in and distribution systems

Passenger transport

The Company's core digital system for making bookings, pricing flight tickets, managing the flight inventory and check-in of passengers is an 'Amadeus' system (Passenger Service System). This system presents the updated schedule of the Company's flights and makes it possible for the Company's sales and service centers to make bookings and issue tickets for flights of the Company, also through the Company's website. The agreement with Amadeus, which regulates these services, is in effect until the end of October 2026. The Company has material dependency on Amadeus. For further details, see Section 8.16.21 below.

The Company has agreements for the Report Year with global distribution systems, and mainly Amadeus, Cyber and Travelport, which interface with the Company's bookings system and allow travel agents in Israel and overseas to sell flights of the Company.

In December 2021, the Company's office in Poland received letters of notice from the Polish authorities ahead of the imposition of fines in respect of flights operated by the Company to and from Poland in November-December 2018, other than in accordance with new local regulation regarding the transmission of data in a predetermined format to the said authorities via a distribution system. It transpires from the Company's inquiries that data transmission was not performed as required in respect of flights operated by the Company to and from Poland via the system, as aforesaid, between November 2018 and January 2020. In September 2025, an amendment to the Polish law was approved, whereby no enforcement proceedings would be

taken against airlines that submit missing data within a three-month period. Accordingly, during December 2025, the Company transferred any and all required data to the Polish authorities and received their confirmation of receipt thereof.

The Company's estimations regarding the repercussions of the Polish regulation on the Company's activity in the above period constitute forward-looking information, within the meaning thereof in the Securities Law. Such forward-looking information does not constitute a proven fact, and is based on the information in the Company's possession and on its estimates, to the best of its judgment, as of Shortly Before Approval of the Report. These estimates largely pertain to third parties and their activity, which are beyond the Company's control, and are also dependent on the occurrence of events which are beyond the Company's control.

Cargo transport

The digital systems used by the Company for the making of digital bookings for the transportation of cargo to destinations worldwide are the Cargo.one system, Cargo AI system and the Web Cargo system. These systems allow the Company to make immediate bookings for the transportation of cargo by reflecting the available cargo volume and the dispatch costs. These systems allow for integration of the booking and price with the Company's cargo booking system.

7.6.3 Matmid Frequent Flyer Program ("FFP")

FFP activity (the "FFP")

As part of the effort to enhance the value proposition to the Group's customers and as part of the marketing measures and improvement of customers' service experience, the Company offers, through the FFP, special benefits to FFP-member passengers. Passengers earn points on flights performed by the Company, on purchases made with "Fly Card" branded credit card, and on flights in respect of which the Company has codeshare agreements.

Furthermore, the Company has agreements which allow for FFP points to be earned and redeemed with other airlines (as specified in Section 8.13 below) and agreements of the FFP for the conversion of credit card points into FFP points.

In addition, the FFP has collaboration agreements with diverse business partners, including from the fuel, fashion, food and hospitality sectors, in the framework of which FFP members who hold Fly Card credit cards enjoy various benefits, including possibilities for accelerated accrual of FF points.

These points grant the passengers various rewards, and may be redeemed in the purchase of flight tickets and related products, upgrades to higher cabin classes, and more.

Furthermore, FFP points may be used to pay for the purchase of products on the Fly&Buy website, duty-free products on the Company's aircraft, the purchase of insurance products marketed by the Company, and the e-commerce website Fly Store, which allows holders of Fly Card credit cards to purchase various products using FFP points or a combination of money and points.

For details on the movement of the liability for FF points, an increase in the point accrual liability and a decrease in the point redemption or expiration liability (including opening and closing balances), see Note 13.D. to the Financial Statements.

FFP membership is determined based on a number of status levels according to the members' activity in terms of flights and credit cards ("Regular-Frequent", "Silver", "Gold", "Platinum", and "Top-Platinum") where each status level entitles its members to various benefits.

During the period of the War, the FF Company continued to adopt a lenient policy, whereby it specifically extended the validity of military reserve soldiers' statuses according to the established terms and conditions. The number of FFP members, as of Shortly Before Approval of the Report, is ~3.58 million members.

The percentage of passengers who are FFP members out of all passengers was ~47% in the Report Year, reflecting a growth of ~10% compared to 2024.

Agreements with credit card companies

The Group collaborates with financial institutions for the issuance of the "Fly Card" branded credit card, which allows the accumulation of points for all purchases made with this card, as well as additional benefits ("Fly Card").

On 11 December 2018, the Company entered into a term sheet with Diners and Cal (the "**Credit Card Companies**") for engagement on the issuance and operation of branded credit cards (in this section: the "**Agreement**") for a term of ten years beginning on 1 September 2019, with each of the parties having a mutual exit right after seven years (the "**Term of the Engagement**"). Under the Agreement, the Credit Card Companies will issue branded Mastercard or combined Diner-Mastercard credit cards to FFP members.

In accordance with the Agreement, in 2019, the Credit Card Companies and the Mastercard company paid the Company bonuses and advance payments. For further details, see Note 13 to the Financial Statements.

The Company was also awarded a phantom option that grants the Company financial rights in Cal or in Diners. For further details regarding the phantom option, see Note 9 to the Financial Statements.

In addition, the Company is entitled to payment of current royalties by the Credit Card Companies in respect of the use of the branded credit cards, which royalties derive from various revenues from the activity of the branded credit cards, relating to the distribution of revenues between the parties in respect of the interchange fee for transactions made with the cards, revenues from credit taken via the cards, card fees charged to cardholders and revenues from foreign currency conversions. Upon satisfaction of certain conditions, the Company shall be entitled to continue receiving current royalties also after expiration of the Term of the Engagement, in relation to revenues from credit taken via the cards. Furthermore, the Company may receive special royalties from the Credit Companies, which are contingent on compliance with specified activity targets.

The Agreement also stipulates provisions on the marketing of the branded credit cards, and marketing budgets for the promotion of the branded cards financed by the Credit Card Companies and Mastercard.

On 26 September 2019, the Company signed a trilateral agreement with the Credit Card Companies and with the Mastercard company (the "**Trilateral Agreement**"). The Trilateral Agreement arranges for collaboration with Mastercard in the implementation of the Fly Card agreement: The issuance of Fly Card cards (premium and bronze) under the Mastercard brand and cards combining the Mastercard and Diners brands; payment of a signing bonus (which was received at the end of October 2019 and is included in the aforementioned Bonus); support by Mastercard of marketing budgets and financial support and professional advice, the extent of which is contingent on compliance with targets throughout the term of the Trilateral Agreement. The term of the Trilateral Agreement is ten years, beginning on 1 September 2019, with each of the parties having a mutual exit right after seven years.

On 23 January 2019, the Company extended the engagement with Premium Express Ltd. ("**Premium Express**") on the issuance and operation of Branded Credit Cards for premium FFP members of the American Express brand. The engagement is not exclusive and is effective for a seven-year period beginning on 1 September 2019, subject to the termination rights available to the parties in defined circumstances.

Under this Agreement, Premium Express will issue bank and nonbank premium Branded Credit Cards of the American Express brand. A premium-branded credit card will be issued to premium customers that meet the relevant eligibility conditions and will grant the cardholder a unique and



preferable value offer by means of various benefits, most of which are based on the volume of transactions on the card.

As part of the FFP transaction and transfer of the FFP operations to the FF Company, as specified in this section below, on 1 July 2022, the Company endorsed its rights and obligations under the Credit Card Companies' agreements to the FF Company in accordance with the conditions agreed upon by the parties.

The Company's estimations, as specified above, including with respect to the effects of consummation of the aforesaid engagements constitute forward-looking information, within the definition thereof in the Securities Law. Such information is based, inter alia, on the Company's forecasts, assessments and estimates Shortly Before Approval of the Report, the materialization of which is uncertain and beyond the Company's control. Non-materialization of the forward-looking information may be the result of different materialization of the assessments, forecasts and estimates the Company has taken into account, and, inter alia, the result of materialization of risk factors that are characteristic of the Company's operations, as well as developments in the economic environment in which the Company operates and in external factors that may affect the Company's operations, inter alia, as specified in Section 8.16 below.

As of Shortly Before Approval of the Report, the branded credit cards total ~525 thousand cards.

In the Report Year, there was an increase of ~29% in the transaction turnover from Fly Card operations compared with 2024.

The FFP transaction

In January 2022, the Company established the FF Company through which the Company continues to operate the FFP.

As of the Report Date, the FF Company employed employees and several outsourcing service providers.

On 23 June 2022, the Company signed an agreement for sale of the FFP operations and assets to the FF Company, according to a value of \$500 million (the "**Sale Agreement**"). According to the Sale Agreement, \$226 million was paid by the FF Company through the offering of shares to the Company, \$130 million was paid by the FF Company to the Company in cash, originating from a loan (after transaction fees) that was provided to the FF Company as detailed below, and the remaining balance of \$144 million was paid through a 3-year loan provided by the Company to the FF Company, with an option for extension, at an interest rate according to the Income Tax Regulations (Determination of Interest Rate for Section 3(i)), 5746-1986. The Company also signed long-term agreements with the FF Company that regulate the commercial and operational rules and agreements regarding the continued operation of the FFP by the FF Company, starting 1 July 2022. For further details regarding the FFP transaction, see Note 14 to the Financial Statements.

Additionally, in June 2022, the FF Company signed an agreement for receipt of financing from Phoenix and other lenders, insofar as they join (jointly: the "**Lenders**") in the amount of \$130 million (in this section: the "**Financing Agreement**" and "**Phoenix Loan**", respectively), under which the Lenders provided a loan for a period of 6 years (the "**Loan Period**"), which is repaid by the FF Company in quarterly installments (principal and interest), with a loan interest rate ranging from 8% to 5.5%, depending on the borrower's compliance with financial ratios established in the Financing Agreement. Furthermore, Phoenix was granted the option to purchase up to 25% of the FF Company's shares (in this section: the "**Option**"), and in September 2022, Phoenix gave notice of the exercise of the Option granted thereto and the purchase of 19.9% of the FF Company's shares, which had been held by the Company.

On 31 December 2024, the Company signed an addendum to the Financing Agreement together with the FF Company and Phoenix. For further details, see Note 14 to the Financial Statements.

On 29 October 2025, Phoenix notified of its intention to exercise the balance of the option for purchase of 5.1% of the shares of the FF Company, subject to receipt of regulatory approvals.

Shortly Before Approval of the Report, Phoenix updated that all of the required regulatory approvals have been obtained and it exercised the option held thereby to purchase shares of the FF Company, in the rate of 5.1% of the FF Company's issued and paid-up share capital. As of on or about the report release date, Phoenix Financial Ltd. holds directly and indirectly a total of 25% of the FF Company's issued and paid-up share capital. For further details, see the immediate reports released by the Company on 29 January 2026 and 19 February 2026 (Ref. 2026-01-010671 and 2026-01-016078).

As of Shortly Before Approval of the Report, the Company holds 75% of the of the issued share capital of the FF Company.

For further details regarding the FFP transaction, see Section 7.6.3 of the Corporation's Business chapter in the 2022 periodic report.

Update on changes to the FFP reward plan

In July 2024, the FF Company announced the performance of several changes to the reward plan that took effect in April 2025. As part of the changes, the terms of the plan that pertain, inter alia, to premium frequent flyer status eligibility expired, and a new plan was launched, the Diamond Plan, which is limited to nine months. The Diamond Plan that took effect in April 2025 included, inter alia, new thresholds for status upgrades, and an updated mechanism for status review that determines FFP membership status in accordance with the number of diamonds and flight segments actually accrued in the period relevant to the status review.

In addition, in January 2025, the FF Company released the new status thresholds and also launched additional rewards ("Fly Plus") as part of the Diamond Plan, that are designed for FFP members with gold or higher status, who hold Fly Card credit cards, and fly with the Company. After 9 months, in January 2026, the FF Company released a New Diamond Plan which too is limited to 9 months. As part of the Diamond Plan, the FF Company made several updates to the benefits granted to premium members.

7.7 Backlog

The balance of deferred revenues represents the backlog and also includes the financial value of the vouchers issued to customers to be redeemed on a future date and of FF points. For details regarding deferred revenues, see Note 13 to the Financial Statements. With regards to passenger sales in the period between January 2026 and Shortly Before Approval of the Report, see the introduction to the Board Report.

7.8 Competition

7.8.1 General

In times of routine, the air transport segment is characterized by fierce competition between airlines that provide cargo and/or passenger transportation services between the same destinations or alternative destinations.

For details on the review of the business environment including passenger traffic at BGA, see Section A.2.1 of the Board Report.

For further details on the structure of competition in the operating segment, see Section 7.1.9 above.

7.8.2 Significant competitors at BGA

(a) Significant competitors – by airline type

Full-service Carriers



Full-service carriers are airlines that operate flights most of the year. These airlines are generally part of an alliance, which enables them to offer customers flights to a wide range of destinations as well as to benefit from earning miles also for flights of other airlines belonging to the alliance. These companies usually offer "full service" to passengers and provide passengers with a variety of services before and during the flight, such as: different cabin classes (first/business/premium/economy), connecting flights, lounges at airports, frequent flyer programs, food and beverage service during the flight, and more.

The increase in the activity of foreign airlines in recent years at BGA allows those airlines that operate an international hub¹ at their hub airport, to increase the number of their passengers for flights between Israel and a large number of destinations on indirect flights, while utilizing the route network thereof ("Sixth Freedom" traffic) and of their partners in the global alliances and codeshare agreements.

Low-cost Carriers

Low-cost carriers are airlines with a low-cost structure deriving mainly from direct marketing via the internet rather than through distribution systems and travel agents, through use primarily of secondary airports and uniform fleets with a maximum number of seats that allows for cost reduction per seat, from a minimum service profile during the flight. This business model is based on the sale of a wide range of ancillary services, including basic services that are already included in the service packages of full-service carriers. These carriers generally offer one cabin class on their flights.

Upon outbreak of the War, most of the foreign airlines, including some of the low-cost airlines, canceled their flights to Israel, with foreign airlines intermittently cancelling and resuming some of the flights to and from Israel during the Report Year, *inter alia* in view of Operation Rising Lion. Until Shortly Before Approval of the Report, most of the foreign airlines including some of the low-cost airlines, commenced the gradual resumption of flight operations to and from Israel. For details regarding the possibility of establishing an operating base of a foreign airline in Israel, see Section 7.8.3 below.

Charter carriers

Charter carriers are airlines that, for the most part, operate commercial flights that are not operated regularly. Airline tickets for charter flights are generally sold to the end consumer by a wholesaler, tour operator or travel agent which purchased, in advance, the full capacity of the flight from the operator airline.

In the Report Year, there was an increase of ~53% in charter traffic (excluding the activity of Sundor) to and from Israel compared to 2024.

In the Report Year, the return of some of the foreign airlines to Israel intensified. For further details regarding the Company's significant competitors at the Company's destinations in terms of market share in the air transport segment, as well as data regarding the Company's market share and passenger traffic, see Section A2. of the Board Report.

Cargo activity

A significant competitor of the Company in the field of all-cargo aircraft is Challenge Airlines (Israel) Ltd. (formerly: CAL Cargo Airlines Ltd.) ("**Challenge**"). As of the Report Date, Challenge operated flights to various destinations in the U.S. and Europe. In addition, in times of routine, the Company competes with most of the commercial airlines that operate passenger aircraft and carry cargo in their hold. In the Report Year, the Company competed, in cargo transportation on all-cargo aircraft to and from Israel with dozens of foreign airlines (in addition to Challenge), which operated all-cargo aircraft on flights to and from Israel.

¹ An airport that serves as the main point in an airline's service network, where the airline's passengers can transfer between its various flights to fly between destinations between which the airline does not operate a direct flight.



(b) Significant competitors – by region

Competition on transatlantic routes

In times of routine, on the direct routes to North America there is direct competition between the Company and the airlines United, Delta and American Airlines. In addition, the activity of airlines that carry traffic on routes to North America via their hub airport ("Sixth Freedom") continues. During the Report Year, in view of the War, the U.S. airlines operated at BGA with a low frequency with respect to times of routine.

In the Report Year, a ~27% increase was recorded in passenger traffic at BGA on transatlantic routes compared to 2024.

Competition on routes to Europe

On routes between Israel and Europe, the Company usually competes with the carriers of the destination country as well as with other full-service carriers (which also carry "Sixth Freedom" traffic via their hub airport to other countries), with foreign and Israeli charter airlines that operate charter flights to various destinations in Europe and with airlines that operate scheduled flights in the format of low-cost airlines. During the Report Year, in view of the War, the scheduled European airlines operated at BGA with a low frequency.

In view of the aforesaid, in the Report Year, a ~31% increase was recorded in passenger traffic at BGA to Europe compared to 2024.

Competition on routes to the Middle East, Africa and the Far East

Following the signing of the Abraham Accords, new routes were opened and new competition entered, mainly from among airlines flying to the United Emirates (Etihad, Flydubai, Gulf Air and Emirates), which also constitutes competition for indirect traffic to destinations in Asia, Australia and Africa. In addition, there was a partial return of competitor activity to China and India. In view of the War, some of the foreign airlines that operate routes to these destinations have stopped flying to Israel.

In the Report Year, a ~64% increase was recorded in passenger traffic at BGA to the Middle East and Africa compared to 2024, and a ~19% increase in passenger traffic at BGA on routes to the Far East compared to 2024.

For details regarding the expected competition in 2026, see Section A.2.1 of the Board Report.

7.8.3 Main methods of tackling competition

In times of routine, the intensification of competition on routes to and from Israel in recent years, both on the part of full-service carriers and on the part of low-cost carriers, has led to a significant increase in the seat capacity offered on these routes and a decrease in the Company's market share.

From a long-term perspective, and as part of the steps the Company takes in order to contend with the competition in BGA in times of normalcy, the Company undertakes a variety of actions to maintain its strength at its base of operations and to ensure an optimal value proposition for its customers. These actions focus, *inter alia*, on expanding the Company's aircraft fleet, broadening the route network and seat capacity, and continuing to provide a value proposition through the Frequent Flyer Program. For details on the activities conducted by the Company, see below.

The positive factors that favorably affect or may favorably affect the Company's competitiveness include the following: a broad and diverse flight offering; procurement of new aircraft and refurbishment of the interior of existing aircraft; attractive slots at BGA; a widely present distribution system in Israel and worldwide; an attractive FFP; a strong brand in the domestic market; high level of safety and security; schedule stability and operational accuracy; high service

standard; tailoring of the services to the market's needs; and a series of collaboration agreements with other airlines, providing for a vast destination network.

The negative factors that adversely affect or may adversely affect the Company's competitiveness include the following: geopolitical situation that prevents the Company from performing Sixth Freedom flights (indirect flights via BGA) versus more Sixth Freedom flights by foreign airlines; change of flight routes in view of security restrictions; reduction of regulatory barriers to entry to activity at the Company's destinations, especially in view of the liberal aviation policy; entry of low-cost airlines; collaborations of foreign airlines in the context of global alliances of which the Company is not a member; regulatory changes and legislative restrictions and constraints that apply to the operating segment; surplus production capacity of competitors; the Company's not flying on Saturdays and holidays; and a potential deterioration in the economic, security and political situation in Israel and the granting of an option for foreign airlines to establish a base of operations from BGA, as detailed below.

In relation to reducing the regulatory barriers to the commencement of competitor activity in the Company's destinations, on 22 December 2025, the director general of CAAI sent a letter addressed, *inter alia*, to the CEOs of the Israeli airlines pertaining to the Minister of Transport and Road Safety's directive to examine a change of policy regarding aircraft stationing and maintenance of an operating base for foreign operators in Israel. In the letter, the CAAI director general wrote, *inter alia*, that in view of the Minister of Transport and Road Safety's directive to work toward increasing competition in the civil aviation sector in order to improve the well-being of the public and reduce the cost of living in the field, by way of examining the changes to the regulations concerning the stationing of aircraft of foreign air operators in Israel, to enable a foreign operator to maintain a base of operations in Israel, CAAI intends to explore the topic and its implications, and formulate a recommendation for the minister. Further thereto, the CAAI director general wrote that as part of the process, he wishes to obtain the airlines' position in writing. The Company forwarded its reasoned position in writing to CAAI in January 2026.

Following publications regarding the decision of the Inter-Ministerial Committee, attended by the Ministry of Transport, the Ministry of Finance, the Ministry of Tourism, and the CAA, which recommended the removal of current restrictions on foreign airlines concerning the stationing of aircraft and the establishment of a base of operations in Israel, the Company contacted the Director of the CAA on 17 February 2026 in a request to receive any and all documents, data, and information that were presented to the committee during the formulation of the recommendation. As of Until Shortly Before Approval of the Report, such information has not yet been received.

As part of the Company's strategy for contending with the competition and for the purpose of increasing its revenues and profitability, the Company takes action on several levels and carries out, *inter alia*, the following:

✓ **Matmid Frequent Flyer Program**

The FFP serves as a significant growth driver for the Company. The FFP has collaboration agreements with various entities, which allow the Company to grant various rewards to FFP members, such as accrual and redemption of points. For further details regarding the FFP's operations, see Section 7.6.3 above.

✓ **Tailoring the route network and schedule to the seasonality of the traffic and the needs of the customers**

Schedule development is a very important tool for responding to customer needs and demand. The Company works, within its route network, to improve the schedule, while addressing customer needs, adapting times to the target audience, maximizing connectivity for connecting flights and operational efficiency for optimal utilization of aircraft. Codeshare agreements and interline agreements allow the Company to expand the offering of flights to a variety of destinations with a broad time schedule, and accordingly the Company is working to further expand the commercial engagements with other airlines. For details regarding the codeshare agreements to which the Company is a party, see Section 8.13 below.

✓ **Refurbishment and upgrade of the Company's aircraft fleet**

For details regarding the Company's fleet in service as of Shortly Before Approval of the Report, see Section A.2.3 of the Board Report.

For further details regarding the procurement of Boeing 787 aircraft, see Section 8.12 below.

For further details regarding the upgrade of the Boeing 777 aircraft to the Dreamliner configuration, see Section 7.4 above.

For further details regarding the procurement of Max 737 aircraft, see Section 8.12 below.

✓ **EL AL awarded five stars in the APEX Global Rating**

In the Report Year, the Company garnered the maximum 5-star rating, in the global airline category, for a fifth consecutive year, in the prestigious competition on behalf of the international aviation organization APEX Official Airline Ratings ("APEX"), in the customer experience category that relates to the quality of in-flight service. The said rating was awarded to the Company for 2026. Furthermore, for the first time, the Company was selected as one of the top 25 airlines in the world.

The APEX rating measures 600 leading international airlines, and is based on feedback from the customers themselves, who flew in more than one million flights that were operated by the airlines reviewed. In the Report Year, 40 airlines were chosen, which form less than 7% of the airlines worldwide, who won a 5-star rating. Among the parameters reviewed: seat comfort, the service in the passenger cabin, food and beverages, entertainment system and Wi-Fi services.

✓ **Implementation of the pricing model**

The Company operates economy class flights to destinations in Europe, the United Arab Emirates and the Far East in a pricing model that separates between the various product components (Lite, Classic, Flex tickets), which allows it to offer tickets to such destinations at competitive prices.

In addition, for flights to North American destinations, since November 2024, the Company has operated economy-class flights according to a pricing model that includes only Flex and Classic tickets only (without Lite).

✓ **Improvement of digital platforms**

During the Report Year, the Company continued to work on improving the user experience (on the Company's website and on the app) by digitizing the "customer's journey" and enriching it with content, value propositions and additional and advanced services, all according to the customers' needs.

For further details regarding the Company's digital activity, see Section 7.6.1 above.

✓ **Offering complementary products to customers**

In the Report Year, the Company offered its customers direct complementary products such as payment for advance seat selection, and indirect complementary products, aimed at responding to the customers' needs according to their preferences.

✓ **Operational streamlining**

The Company implements streamlining measures aimed at streamlining the Company's expenses, maximizing the Company's revenues and helping to simplify processes, while identifying sources of cost savings in the Company's various fields of activity and monitoring the savings in various fields such as manpower, logistics and procurement, cost of sales, efficient use of air and ground crews, maintenance management and fuel savings.

✓ **Financial adjustments**

As part of the global supply chain difficulties with which the airline industry contends, and given the Company's available cash balances, the Company applies adjustments to its present structure of ownership of aircraft and engines, such that the mix of ownership of these

aircraft outweigh the mix of lease thereof, and also procures additional aircraft and engines an aviation equipment.

As part of efficient management of the Company's cash balances, in the Report Year, the Company prepaid several loans that had been used for the acquisition of aircraft.

The Company's aforesaid estimations, including as relating to its market share and the increase of its revenues and profitability (including the factors and actions that may assist the same) and regarding the establishment of a base of operations of a foreign airline in Israel, constitute forward-looking information, within the meaning thereof in the Securities Law, which is based on the Company's current estimations. Such estimations, which largely pertain to third parties and their operations and also depend on the occurrence of events that are beyond the Company's control, including the persistence and intensification of the War, as well as the materialization of any of the risk factors listed in Section 8.16 below, may not materialize (in whole or in part) or may materialize in a manner that materially differs from the Company's estimations and forecasts.

7.9 Seasonality

For details regarding seasonality, see Section A.4 of the Board Report and Note 1 to the Financial Statements.

7.10 Aircraft Fleet

For details regarding the Company's aircraft fleet, see Note 10 to the Financial Statements. For further details regarding the leases, see Note 11 to the Financial Statements.

7.11 Production Capacity

During peak demand (summer months), as well as since the outbreak of the War, the Company's production capacity comes nearly to the full output potential. The Company is working to procure additional aircraft as part of its business strategy. The Company is also working on retaining and recruiting professional manpower to operate the aircraft fleet according to its business plans, including in the field of professional training and instruction. For further details regarding the Company's strategic plan, see Section 8.15 below.

For details regarding the Company's operating indices and its market share at BGA, see Section A2. of the Board Report.

8. Further Details Regarding the Company's Operations

8.1 Fixed Assets and Facilities

General

Most of the Group's fixed assets are its aircraft and its flight equipment. For details regarding the Company's fixed assets, see Note 10 to the Financial Statements. Below are further details regarding the Group's additional fixed assets.

(a) Rights to use land and buildings at BGA

Head Office

BGA serves as the hub airport and the main operating base of the Company. BGA is the site of the Company's head office, aircraft hangars, aircraft aprons, workshops, warehouses and the Company's other offices and facilities. Most of the offices, aircraft hangars and other buildings in use at BGA were built by the Company on land in which the Company has a long-term right of use (license).

By virtue of an agreement with the IAA of June 1992, including the amendments thereto, the Company has a right of use (license) in a built-up area of approx. 82,000 sqm on land totaling

approx. 288,000 sqm at BGA until 31 December 2035. The Company pays the IAA annual usage fees that include payment for use of the land and for use of buildings and facilities.

The IAA may demand that the Company vacate part of an area and/or building it requires for the operation, safety, development or security of the airport and/or flight safety, subject to the terms and conditions set forth in the said engagement. In addition, the Company cannot terminate the engagement unilaterally.

Passenger service warehouse

Under an agreement with the IAA, which is in force until 31 December 2026, the Company has the right to use (authorization) a built-up area of approx. 2,600 sqm plus an operational area which is used as a warehouse. As part of a project for the construction of TAMAM's new food factory, as described in Section 8.7.1 below, a passenger service warehouse is expected to be built inside TAMAM's new food factory.

Terminal 3

The Company has a permission agreement with the IAA for the use of areas in Terminal 3 at BGA in consideration for payment of usage fees. This agreement is in effect until 30 November 2026, with the Company permitted to operate areas spanning ~3,700 sqm.

King David Lounge

The Company has an agreement with the IAA granting it authorization to operate the King David Lounge, which is in force until 30 November 2026. Furthermore, during the Report Year, an interior upgrade was carried out at the King David Lounge.

The IAA may terminate the agreement by giving the Company prior notice on grounds of essential needs of the IAA and suspend the agreement in security- or safety-related circumstances. Due to overcrowding at the King David lounge, the Company makes access to the Dan Lounge available to its customers.

Terminal 1

Pursuant to an agreement with the IAA, the Company has the right to use (authorization) offices in Terminal 1 of BGA.

Offices for the Company's cargo activity

Pursuant to the framework agreement signed between the Company and Maman - Cargo Terminals & Handling Ltd. ("**Maman**"), according to which Maman provides the Company with terminal services and loading and unloading services, the Company has a right of use (license) in offices in the Maman Building complex for the term of the framework agreement until 31 December 2029.

(b) Land owned by the Company

The Company owns offices in Spain (Madrid) and in Argentina (Buenos Aires).

(c) Lease of land in Israel

The Group leases offices for the operations of the FFP and Ofek, which are situated in the "Terminal Park" complex in Or Yehuda. The Group also leases an area for simulators used for pilot training.

(d) Lease of land around the world

The Group leases offices and other real estate around the world for its current operations. For further details, see Note 11 to the Financial Statements.

8.2 Insurance

The Company's insurance coverage relates primarily to two aspects: insurance of the Company's various types of property and insurance of the Company's legal liability for bodily injury and property damage caused to third parties.

The Company's "Aviation Liability" insurance is limited to a cap of up to \$2 billion per occurrence and is limited to a maximum of up to \$1.5 billion per occurrence as a result of a war event.

Insurance for the hull of the aircraft under the Company's ownership or service is "Hull All Risk Insurance" and includes loss of or damage to aircraft. The insurance is based on an "agreed value" for each and every aircraft, and includes levels of self-insurance that are standard in the airline industry.

Insurance of the hull of the aircraft against risks of war and similar risks covers, *inter alia*, acts of war, hostilities, civil war, strikes, riots, malicious damage, hijack and confiscation.

In the Company's estimation, and based on its external advisors, the above coverage provides adequate insurance coverage for its operations.

In addition, the Company is insured with various insurance policies which, in the Company's estimation, provide appropriate insurance coverage for the main risks to which the Company, its employees and its officers are exposed. These policies are, *inter alia*, for employers' liability insurance, expanded building insurance against fire, environmental pollution, cyber, etc.

For details regarding D&O liability insurance which was in effect until 31 January 2026, see an immediate report released by the Company on 28 July 2024 (Ref. 2024-01-079351) and Regulation 29A of the Additional Details on the Corporation chapter in the 2024 Periodic Report. For details regarding D&O liability insurance as of 1 February 2026, see an immediate report released by the Company on 22 January 2026 (Ref. 2026-01-009153) and Regulation 29A of the Additional Details on the Corporation chapter.

Upon outbreak of the security events between Russia and Ukraine, international sanctions and insurance exclusions were imposed on Russia, which did not allow continuation of the flights operated by the Company to Russia. In view of Israel's interest in continuing the flights, the State granted the Company a guarantee plus insurance coverage, which were an adequate substitute for the insurance coverage that were reduced when the events broke out, thus making it possible for the Company to continue the flights to Russia.

In the Report Year, in view of the notices the Company received from the war aviation insurers of their intention to cancel the aviation insurance coverage in the territory of the State of Israel due to the outbreak of the War, and in order to guarantee continued insurance coverage to ensure continued aviation activity, the State, through Inbal Insurance Company Ltd., issued insurance policies that are supplemental to the cancelled aviation insurance. The aforesaid exclusion has been removed, and the Company purchases its full aviation insurance through the commercial markets.

The State's guarantee and its insurance policies are periodic and are extended from time to time.

8.3 Intangible Assets

In Israel, the Company owns the trademark "EL AL"/"אל על", which is the Company's flagship brand, the Company's name and designed logo, as well as the trademarks "EL AL Economy Class Plus", "אל על תיירים פלוס", "UP" and "ATMOSPHERA"/"אטמוספירה". In Israel, the FF Company owns the "Fly Card"/"פליי כארד" trademark, the brand of the Branded Credit Cards marketed by the FF Company in collaboration with financial institutions and owns the EL AL Fly+ trademark in the U.S. Registered trademarks in Israel are effective for limited periods as prescribed by law and may be renewed at the end of each period. In the Company's estimation, the trademark "EL AL" has an economic life of multiple years, given that it is part of the Company's name, the many years this trademark has been used and its dominant position in the market. In addition, in the U.S. and in countries in the E.U. too, the Company owns the trademark "EL AL" (the name and the designed logo).

Various internet domain names have been registered in the Company's name, in Israel and overseas, which are valid for varying periods, in accordance with the registration rules in the various countries, with an extension option.

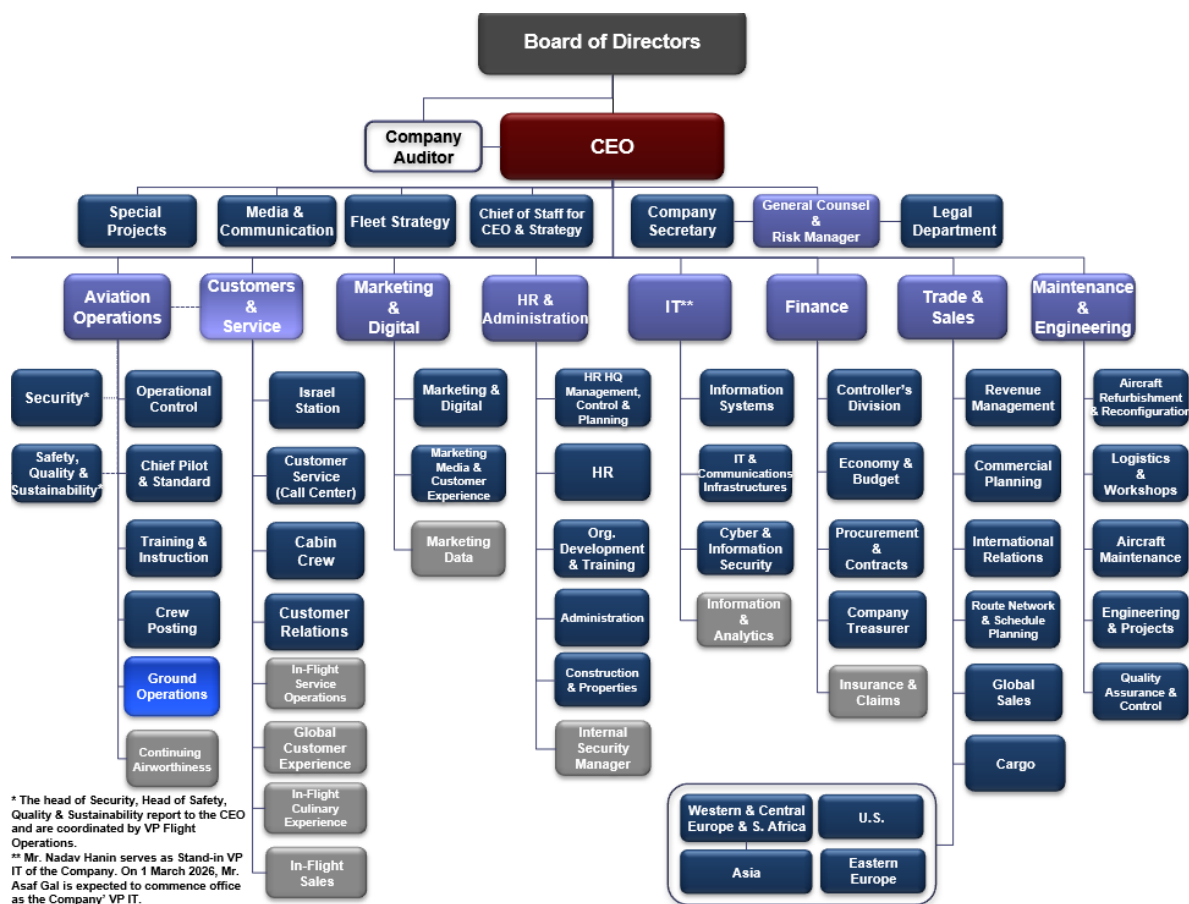
8.4 Human Capital

8.4.1 Organizational Structure

Management of the Company is entrusted to the Company's CEO, who is assisted in the performance of his duties by the management team, which serves as the Company's HQ and is comprised of a CFO, VP-General Counsel and Risk Manager, VP Aviation Operations, EVP-VP Customers, Service & Customer Experience, VP Maintenance & Engineering, VP Trade & Aviation Relations, VP Human Resources and Administration and VP Marketing & Digital.²

The following chart presents the organizational structure of the Company's senior executives as of Shortly Before Approval of the Report:

² On 31 December 2025, Ms. Dina Ben Tal Ganancia's office as CEO came to an end. As of 21 January 2026, Mr. Halevy began serving as the Company's CEO. VP Marketing & Digital & also serves as Acting VP IT, through 1 March 2026.



8.4.2 Breakdown of employees

The following table presents a breakdown of the Company's permanent and temporary active employees in December 2023, 2024 and 2025:

Position	December 2025	December 2024	December 2023
Permanent employees³	2,942	2,802	2,667
Temporary employees	2,735	2,527	2,110
Overseas	227	211	203
Total active employees	5,904	5,540	4,980

During times of normal operations, the acute seasonality in the industry necessitates regulation of the manpower, which is done, according to demand, through a varying number of temporary employees. The Company has, among others, employees who work under Ofek and are included in the above table, with their salary costs included in security expenses.

In addition, there are employees who are employed through the State, with part of their salary borne by the Company (according to the allocation of security expenses between the Company and the State), for details see Section 8.11.12 below.

³ Including permanent first-generation and second-generation (and follow-on generation) employees.



The following table presents a breakdown of the Company's permanent and temporary employees in Israel and overseas divided into positions, in December 2023, 2024 and 2025:*

Position	December 2025	December 2024	December 2023
Pilots	642	606	555
Flight attendants	1,562	1,363	1,213
Service	1,541	1,470	1,234
Maintenance	1,109	1,083	1,018
Rest of Company	1,049	1,018	959
Total EL AL	5,904	5,540	4,980

* The above-denoted number of employees is according to the actual position percentages.

8.4.3 Material dependence on a specific employee

The Company has no material dependence on a specific employee or officer.

8.4.4 Training and instruction

The Company has an Organizational Development and Training Department that trains employees and provides professional training for a variety of occupations the Company requires: Pilots, aircraft technicians, flight attendants, ground controllers, passenger escorts, Lost & Found Department personnel, traffic controllers, ground attendants, booking and ticketing representatives, TSA supervisors, operations workers, marketing and sales managers, middle management, etc. As part of their training at the Company, the relevant employees take the tests of the CAA, which is the certifying body, pursuant to aviation law.

Training of the Company's pilots is carried out in the framework of courses managed by the Training & Instruction Department, and part of the training process is unique to each fleet.

In the Report Year, the Company has purchased 3 flight simulators: one for the Boeing 737 fleet and two for the Boeing 787 fleet. These joined an additional Boeing 737 simulator that has been operational since 2016. These simulators are operated at a training center in Israel. The purchase and operation of the simulators reduce the Company's pilot training costs.

8.4.5 Special Collective Bargaining Agreements

In addition to labor legislation and extension orders, the employment conditions of the Company's employees who are employed in Israel, with the exception of the senior employees and other employees who are employed under personal agreements, are regulated by special collective bargaining agreements which are signed from time to time between the Company and the Histadrut, the New General Federation of Labor (the "Histadrut") and by procedures released from time to time by the Company's management.

The following table presents a concise description of the main collective bargaining agreements that apply to the Company and its employees which are in effect as of Shortly Before Approval of the Report:

No.	Nature of the agreement, including relevant employee group	Date of commencement of the agreement	Date of expiration of the agreement
1)	The base agreement of 1999 (the "Base Agreement"). A collective bargaining agreement which is the base employment agreement for permanent employees. This agreement includes general provisions that apply to all of the Company's employees, and additional chapters that apply only to a specific sector. In addition, this agreement includes chapters that pertain to relations between the representative workers union and the Company, as well as provisions regarding dispute resolution. After 2004 (see Sections 2 to 4 below), this agreement became the agreement that regulates the employment conditions of first-generation employees at the Company.	1 January 1998	Extended from time to time
2)	Permanent follow-on generation agreement, which determines the employment conditions of permanent employees from the permanent follow-on generation and regulates changes to follow-on generation employment conditions versus the employment conditions of first-generation employees on several issues. The agreement applies to permanent employees whose employment at the Company began on or after 1 January 1999, except: aircrew employees, technical employees, employees in aviation professions and employees in engineering professions.	20 May 2004	Open-ended
3)	Special collective bargaining agreement (ground crew – "permanent interim generation"). The agreement applies to permanent employees (a closed group of employees whose names are listed in the agreement) whose employment began before 1 January 1999, and is intended to apply to the said employees different terms and conditions to those set forth in the agreement for first-generation employees and to those determined for the follow-on generation employees.	20 May 2004	Open-ended
4)	Special collective bargaining agreement – the Company's cabin crew ("CC") – "permanent interim generation". The agreement applies to permanent CC (a closed group of employees whose names are listed in the agreement) whose employment began before 1 September 1996 and CC whose employment began between 1 January 1996 and 31 December 1997, and is intended to apply to the said employees different terms and conditions to those determined for employees in the first-generation agreement and to those determined for the follow-on generation employees.	20 May 2004	Open-ended
5)	Special collective bargaining agreement (guarantees). The agreement applies to all Company employees who are subject to collective bargaining agreements and determines the Company's obligations to several permanent employees in the administrative and CC sectors.	20 May 2004	Open-ended
6)	Special agreement that grants salary supplements to the permanent employees, amends the Base Agreement (including regarding the employment of employees under personal contracts and regarding the discipline chapter) and the employment agreement for temporary employees,	2 November 2008	Open-ended

No.	Nature of the agreement, including relevant employee group	Date of commencement of the agreement	Date of expiration of the agreement
	regulates employee retirement and extends the term of the base employment agreement.		
7)	Special collective bargaining agreement for temporary flight attendants and temporary employees in the administrative sector.	February 2011	Open-ended
8)	Special collective bargaining agreement for first-generation employees for the deposit of severance pay into a fund in the employee's name.	22 December 2011	Open-ended
9)	Special collective bargaining agreement for the Company's permanent employees, in which additional agreements were formulated regarding labor relations at the Company.	22 June 2015	Open-ended
10)	Special collective bargaining agreement for engineers and architects which regulates the terms of their employment.	July 2016	No expiration date determined, and the parties may terminate the agreement pursuant to the law
11)	Special collective bargaining agreement for personal ranks, which establishes the promotion of employees through the granting of personal ranks.	August 2017	Open-ended
12)	Maintenance and engineering committee agreement, which applies efficiency measures in the maintenance sector, including shift work.	August 2017	Open-ended
13)	Special collective bargaining agreements as follows: Company-wide recovery agreement and sectoral recovery agreements (the " Recovery Agreements "). For details regarding the bonuses to the Company's employees, see Note 15 to the Financial Statements.	5 June 2020 8 July 2020 15 July 2020	The earlier of 31 December 2025 or achievement of an aggregate (pre-tax) profit of \$518 million. These agreements, as amended, contain relevant consents and provisions that remain applicable after 31 December 2025, including with respect to the Report Year which was part of the recovery period. The parties are currently under negotiations for signing a new comprehensive agreement.



No.	Nature of the agreement, including relevant employee group	Date of commencement of the agreement	Date of expiration of the agreement
14)	Special collective bargaining agreement – amendment to the Recovery Agreements.	6 April 2021	The earlier of 31 December 2025 or achievement of an aggregate (pre-tax) profit of \$518 million. These agreements, as amended, contain relevant consents and provisions that remain applicable after 31 December 2025, including with respect to the Report Year which was part of the recovery period.
15)	Pilots Committee ("Aircrew") agreement, which establishes a series of agreements between the parties, including streamlining measures that include changes to the method of assignment of pilots to Boeing 777 aircraft, wet leases of additional passenger and all-cargo aircraft, a mechanism for hedging the budgetary framework for the pilots' cost of salary and regulation of the performance of simulator training in Israel.	1 July 2022	31 December 2025. The parties are under negotiations for renewal of the collective bargaining agreement for the Aircrew, while the provisions of the agreement continue to apply until the engagement in a new agreement.
16)	Maintenance and engineering committee agreement, which establishes a series of agreements between the parties, including streamlining measures that include wet leases of additional passenger and all-cargo aircraft over and above the Company's existing aircraft fleet, implementation of methods to streamline the work processes in aircraft refurbishment hangars, the possibility of performance of various maintenance work by outside entities, maximum managerial flexibility in assignment of airborne technicians and cancelation of undertakings regarding the scope of their work.	16 August 2022	31 December 2026
17)	Administrative sector workers committee agreement, which establishes a series of agreements, including a series of measures to reduce the employment costs in the administrative sector, that include reduction of the number of permanent employees that the Company is obligated to employ, and the Company's exemption from meeting permanent employee quotas for a certain period, increasing the number of employees who may be employed under personal contracts in various positions, extension of the temporary-position period of employees in the	1 January 2023	31 December 2028

No.	Nature of the agreement, including relevant employee group	Date of commencement of the agreement	Date of expiration of the agreement
	administrative sector, and agreements regarding the performance of wet leases at the Company.		
18)	Agreement between the Company and the CC committee and the Histadrut, which establishes a set of understandings, including a set of steps that will enhance efficiency in the aspects of employment of CC personnel. Furthermore, remuneration to employees has been agreed, including payments and additional rights to be added to the salary of CC personnel every year in the years of the agreement.	8 February 2023	31 December 2028

The Company's aforesaid assessment of the effects of the above agreements constitutes forward-looking information, within the meaning thereof in the Securities Law, which is based on the Company's current estimates. These estimates may materialize in a materially different manner to the Company's assessments, inter alia due to dependency, to a large extent, on third parties and their activity, as well as dependency on the occurrence of events that are beyond the Company's control, including materialization of any of the risk factors specified in Section 8.16 below.

8.4.6 Labor disputes

On 19 February 2026, the Company received a notice from the *Histadrut* regarding a strike, in accordance with the Settlement of Labor Disputes Law, 5717-1957. The matters underlying the notice include a demand for collective bargaining negotiations concerning the implications of establishing an operational base (HUB) for a foreign airline at BGA (insofar as established; for details, see Section 7.8.3 above), working conditions, salary, and employee issues, including job security and pilot safety, a demand to regulate the implications of establishing such a base of operations on the Company's financial strength and on airport ground operations. As is known to the Company, a similar notice was also sent to other Israeli airlines and to the Israel Airports Authority. It is noted that the Company is negotiating with the various works councils, with an emphasis on preventing any harm to the Company's operations.

8.4.7 Employee liabilities

For a specification of the Company's liabilities due to employee benefits, see Note 15 to the Financial Statements.

8.4.8 Main legislative amendments in the field of labor relations

In the Report Year, no material legislative amendments were approved that affect labor relations at the Company.

8.4.9 Entitlement to flight tickets

According to the IATA Regulations, employees of the Company are entitled, for themselves and their families, including retired employees, to (free or discounted) leisure flight tickets, on an available space basis. This right is established in the collective bargaining agreements (and for senior executives – in their personal employment agreements), in personal retirement agreements, in the Company's procedures and in professional directives of the Human Resources Division, which are updated from time to time. The quota of free (subject to payment of airport taxes) or discounted flight tickets is limited according to the provisions of the said agreements and the Company's procedures.

8.4.10 Local employees in the Company's outbases

The Company's employees overseas, with the exception of the Israeli Posted Employees, are employed under employment agreements between the Company and the trade union in such country and part of them under agreements between the employers' organization (foreign airlines) and the umbrella airline employees' association or under other agreements. The terms of employment of the Company's employees in specific countries are determined by the Company, according to the standard practice in the airline industry or with the national airlines of such countries and according to local law. In some of the outbases personnel is employed under personal agreements.

In some of the outbases, there is an obligation to pay severance pay according to law or the agreement, and in some of the outbases there is an obligation to provide national or other pension insurance. In such cases, the Company remits pension insurance payments on a regular basis. For details regarding the Company's liabilities with respect to the pension plans of certain local employees, see Note 15 to the Financial Statements.

8.4.11 Israeli employees stationed overseas

Overseas, the Company employs, *inter alia*, several employees who are sent to assume management positions outside of Israel, according to such terms and conditions as determined by the Company, some of them under personal agreements and some under a collective bargaining agreement.

8.4.12 Welfare services and payments

In addition to salary and flight ticket entitlements, some of the Company's permanent employees also receive welfare services and payments, which include, *inter alia*: meals, employee physicals, participation in medical insurance and dental insurance. Some of these benefits are also given to temporary employees.

For further details regarding employee benefits, see Note 15 to the Financial Statements.

8.4.13 Officers and Senior Management Employees

Chairman of the Board

Mr. Amikam Ben Zvi holds office as chairman of the Company's Board. On 26 January 2025, the meeting of the Company's shareholders (the "**Meeting**") approved an update to the terms of office and employment of Mr. Ben Zvi commencing from the date of the Meeting's approval. On 31 December 2025, the Meeting approved further updates to the terms of office and employment of Mr. Ben Zvi, including the approval of an equity compensation.

For further details regarding the Chairman of the Board's compensation, see the Additional Details on the Corporation chapter, and Note 21 to the Financial Statements.

Vice Chairmen of the Board

On 30 May 2024, the meeting approved the granting of a letter of indemnity to the Vice Chairmen of the Board for three years starting from May 2024. On 31 December 2025, the meeting approved the renewal of the terms of office and employment for the Vice Chairmen of the Board for a period of three years, effective as of 1 January 2026. For further details, see the Additional Details on the Corporation chapter, and Note 21 to the Financial Statements.

The Board

On 31 December 2025, the meeting approved, *inter alia*, the following: (1) Reappointment of the Board members who hold office at the Company and are not external directors, for an additional term of office, from the date of the meeting's approval until the date of the next annual meeting, as follows: Messrs. Amikam Ben Zvi, Kenneth Neal Rozenberg, Darrell Hagler, Jason Greenblatt, Mordechai (Moti) Engelman, Gavriel Maimon (independent director), and Yaacov Sheinenzon; (2)

appointment to the Company's Board of Dr. Alon Friedlander as an independent director for a term of office starting from the date of approval of the meeting until the next annual meeting; For further details, see the Additional Details on the Corporation chapter.

For further details, *inter alia*, about the education and professional experience of the Company's Board members, see the Additional Details on the Corporation chapter.

CEO of the Company

Ms. Dina Ben Tal Ganancia has served as the Company's CEO since 19 May 2022 until 31 December 2025. On 26 January 2025, the meeting approved an update to the terms of office and employment of Ms. Ben Tal Ganancia, effective from the date of approval by the meeting, on 13 July 2025, Ms. Ben Tal Ganancia announced that she wishes to step down from office as the CEO of the Company, and on 31 December 2025, her term of office expired. On 22 January 2026, the Company released a notice of special general meeting report, with the meeting's agenda including, *inter alia*, an update to the terms of retirement of the outgoing CEO, Ms. Ben Tal Ganancia. The meeting, as aforesaid, is scheduled to be held on 26 February 2026.

On 21 September 2025, the Company's board of directors decided to appoint Mr. Levy Halevy as the Company's CEO. Effective from 21 January 2026, Mr. Halevy serves as the CEO of the Company. On 22 January 2026, the Company released a notice of special general meeting report, with the meeting's agenda including, *inter alia*, approval of the terms of office and employment of Mr. Halevy, including allotment of equity compensation. The meeting, as aforesaid, is scheduled to be held on 26 February 2026.

For further details on the compensation to which the Company's CEO would have been entitled in the Report Year and her proposed terms of retirement, see the Additional Details on the Corporation chapter and Note 21 to the Financial Statements. For further details regarding the proposed terms of office of the Company's CEO, see Note 21 to the Financial Statements.

Senior management

For details regarding private placements of non-negotiable options and restricted stock Company officers, see Note 18 to the Financial Statements.

For details regarding directors' and officers' liability insurance, see the Additional Details on the Corporation chapter and Note 21 to the Financial Statements.

On 20 April 2025, Mr. Omry Cohen stepped down from office as Deputy CEO and Chief Operating Officer of the Company.

On 31 July 2025, Mr. Ronen Galperin stepped down from office as CEO of the FF Company. Mr. Moshe Morgenstern took office as CEO of the FF Company on 1 December 2025.

On 1 September 2025, Mr. Ronen Yochpaz stepped down from office as VP Information Technology of the Company. Effective from the aforesaid date, Mr. Nadav Hanin holds office as VP Marketing and Digital and as Stand-in VP Information Technology. On 1 March 2026, Mr. Assaf Gal is expected to take office as VP Information Technology of the Company.

On 15 October 2025, Mr. Yarom Vadish stepped down from office as Senior VP Sales and Tourism.

On 30 November 2025, Mr. Yacov (Yancale) Shahar stepped down from office as VP Finance of the Company. Mr. Gil Feldman took office as VP Finance of the Company on 1 December 2025.

For details regarding the Company's senior management members, see Regulation 26A of the Additional Details on the Corporation chapter.

Senior officers' compensation policy

For details regarding the Company's officer compensation policy, as approved by the meeting of the Company's shareholders on 18 October 2022, see a notice of meeting report released by the Company on 8 September 2022 (Ref. 2022-01-115261). On 13 March 2024 and 26 January 2025, the meeting approved amendments to such current compensation policy (see the notice of meeting reports released by the Company on 7 February 2024 and 15 January 2025, Ref. 2024-01-014385 and 2025-01-004610). On 31 December 2025, the Company's general meeting of shareholders approved a new compensation policy. For details regarding the new compensation policy, see the supplementary notice of meeting report released by the Company on 16 December 2025 (Ref. 2025-01-100420).

For details regarding the compensation paid in the Report Year to the five highest paid senior officers of the Company, see Regulation 21 of the Additional Details on the Corporation chapter.

8.5 Raw Materials and Suppliers

8.5.1 Fuel

- (a) A substantial raw material the Company uses is jet fuel. Jet fuel is one of the main components of the Company's expenditure. The Company purchases fuel in Israel and overseas. The price of jet fuel has a material effect on the Company's profitability.

For further details, see Sections A.3 And B of the Board Report and Note 19 to the Financial Statements.

- (b) During the Report Year, the Company entered into agreements for jet fuel supply, with companies Paz Retail and Energy Ltd. ("Paz") and Dor Alon Energy in Israel (1988) Ltd. ("Dor Alon") for fuel supply, where each of the companies supplies one half of the Company's annual fuel consumption at BGA in the Report Year. The Company believes that the scale of procurement from the major suppliers in Israel (Paz and Dor Alon) might create dependence on these suppliers, to the extent that there are no suitable and immediate alternatives for the supply of jet fuel at BGA.
- (c) It is further noted that the Company has engagements with Paz Aviation Services Ltd. and Mercury Aviation (Israel) Ltd., which provide the Company with fueling services. In the Report Year, each of the said companies provided ~50% of the fueling services to the Company at BGA.
- (d) As of Shortly Before Approval of the Report, the Company purchases jet fuel overseas from several suppliers, including fuel companies that supply jet fuel at several airports. Such engagements are in effect until the end of 2026. As of Shortly Before Approval of the Report, the Company has overseas jet fuel procurement agreements with ~10 suppliers.
- (e) In the Report Year, the Company purchased ~50% of its total jet fuel procurement that year from two local suppliers and purchased ~50% of its total jet fuel procurement from various suppliers for the Company's stations overseas.

8.5.2 Aircraft and engines

In recent years, supply chain difficulties have become a significant challenge for the aviation sector. Global crises such as the Covid Pandemic, trade wars, and shortages of essential components and raw materials have caused delays in the production and supply of aircraft, engines and spare parts. As a result, airlines are experiencing numerous operational difficulties, including delays that derive from disruptions in the schedules for delivery of aircraft, engines and other spare parts, and disruptions in the schedules for their current maintenance. Such disruptions occur with the Company's suppliers, on which the Company has material dependence, which is why the Company is experiencing operational difficulties in this context.

All aircraft operated by the Company are made by Boeing. The Company has a material dependence on Boeing when it comes to the ongoing maintenance of its aircraft, supply of spare parts, repairs and engineering consulting. However, in the Company's estimation, the likelihood of discontinuance of the engineering support for repairs and the supply of spare parts for its aircraft, is low.

For details regarding the Company's engagement in agreements for acquisition of additional 787 aircraft and the acquisition of MAX 737 aircraft, see Section 8.12 below and Note 10 to the Financial Statements.

The Company's Boeing 777 and 787 aircraft fleets are equipped with engines made by Rolls-Royce. The Company has a material dependence on Rolls Royce when it comes to ongoing maintenance and supply of spare parts for engines. The Company's Boeing 737 fleet are equipped with CFM-made engines and MAX 737 aircraft are intended to arrive equipped with CFM engines.

For details regarding the Company's engagement with Rolls Royce in agreements for acquisition of alternative engines and maintenance of engines, and for details regarding the restrictions in the manufacturing process discovered in these engines, see Section 8.12 below and Note 10 to the Financial Statements. For details regarding the aircraft and engines available to the Company, as of Shortly Before Approval of the Report, see Section A.2.3 of the Board Report.

8.5.3 Provision of related services in airports in Israel and the world for passengers and for cargo

In its various stations around the world, the Company is assisted by suppliers that engage in the provision of services related to the operation of flights, either for cargo aircraft or for passenger aircraft.

The services include, *inter alia*, air conditioning services, power supply, air traffic control, waste disposal, cargo unloading and loading and cargo storage in warehouses.

In the Report Year, the Company was not dependent on one single supplier, except in BGA, where the IAA is entrusted with the arrangement of the provisions of the services.

8.6 Working Capital and Inventory

Working capital constitutes a significant source of funding for the Company, primarily due to the nature of the industry, wherein flight ticket sales are usually made prior to the air transport date. The amount of the Company's sales until the date of the air transport is recognized under the working capital as unearned revenues, and constitutes some of its current liabilities, as specified in Note 13 to the Financial Statements and Section A.6 of the Board Report. The Company's trade receivables represent the sales amounts not yet collected from customers, either via direct sale or indirect sale through the agents.

The Company has an inventory of raw materials, which includes, *inter alia*, jet fuel for consumption, duty-free products, and chemicals in immaterial sums. For further details, see Note 8 to the Financial Statements.

8.6.1 Flight ticket cancellation policy

The policy for cancellation of flight tickets is in accordance with the terms of the ticket and the provisions of the law. In this context, it is noted that the Consumer Protection Law, 5741-1981 and the Consumer Protection (Transaction Cancellation) Regulations, 5771-2010, prescribe special provisions regarding the ability to cancel transactions which, when applicable, allow transaction cancellation subject to a cancellation fee of 5% of the value of the transaction or ILS 100, whichever is lower. For details with respect to a relaxed commercial policy in view of the war, see Section 1.2 above.

8.6.2 Service warranty provision policy

The Company's liability for damage (damage to person and/or property) caused during international air transport is determined in international conventions adopted and the various laws that determine the liability of the air carrier. The Aviation Services Law (Compensation and Assistance due to Cancellation or Change in the Terms of Flights), 5772-2012 (the "**Aviation Services Law**") imposes a duty on the Company, upon the fulfillment of qualifying circumstances, to provide passengers whose flight has been changed or cancelled with a range of remedies depending on the duration of the delay or the circumstances of cancellation, such as assistance (communication services, food, beverage, accommodation), refund of consideration or an alternative flight and even pecuniary compensation, and also determine the Company's responsibility for denial of boarding due to flight overbooking. For details about the Aviation Services Law and the amendment made thereto, see Section 8.11.2(g) below.

8.6.3 Credit policy

Customer Credit: Cargo or travel agents certified by IATA enjoy special payment arrangements (an agent not approved by IATA is required to provide a guarantee or advance payment). For details on the Company's customer credit policy, see Note 5 to the Financial Statements.

Supplier Credit: The Company receives credit from its suppliers in Israel and overseas for periods that usually range between 30 and 90 days, depending on the type of supplier and the engagement therewith (with the exception of some operational suppliers, as specified below).

The average credit amount and the average credit periods for the Company's customers and suppliers in each of the years 2025 and 2024 are as follows:

Supplier Days of Credit – Between 30 and 90 days, in accordance with the agreements with the various suppliers, with the exception of some operational suppliers (such as fuel and airport authorities) for which days of credit range lower.

Customer Days of Credit – Between 30 and 45 days after the sale process. It is noted that the service to customers, i.e., actual air transport, is mostly provided after the proceeds are collected from the customers.

The gap between the customer credit policy and the supplier credit policy derives, *inter alia*, from the fact that the supplier credit policy is determined also considering market conditions, liquidity and standard industry policies and in accordance with the provisions of the law. Conversely, the customer credit policy is largely determined according to the common practice in the airline industry. It is emphasized that usually, as noted above, due to the Company's sales that are conducted prior to the air transport date, the Company collects most of its sales before it pays its various suppliers for the service rendered thereto, in most cases, incidentally to the air transport.

8.6.4 Working capital

For details with respect to the working capital, see Section A6. of the Board Report.

8.7 Investments

For details with respect to all the companies held by the Group, see the holdings chart in Section 1.3 above.

8.7.1 Concise description of the business of key subsidiaries

(a) Sun d'Or International Airlines Ltd.

The operations of Sundor (a company wholly owned by the Company) mainly feature flights to short-haul destination, including vacation destinations in the Mediterranean Basin and in Europe, destinations that complement the Company's route network. Sundor's operations focus on three

main areas: (1) Scheduled flights – annual and seasonal vacation destinations within a 4-hour flight range, sold through distribution systems, the Company's website, and travel agents. (2) Charter flights – fully sold to tourism wholesalers and marketed by them only, (3) Special flights – flights booked by companies and organizations, tailored to the customer's requirements and needs, such as sports teams, Hassidim flights, company trips, and so forth.

Sundor flights are operated by means of two Boeing 737-800 aircraft of the Company in economy class configuration, as well as foreign airlines' aircraft under Wet Lease.

(b) TAMAM – TAMAM Aircraft Food Industries (Ben Gurion Airport) Ltd.

The main business of TAMAM (a company wholly owned by the Company) is the production and supply of kosher meals to airlines. In addition, TAMAM also provides catering services to the Company's employees and to various institutions. TAMAM's offices and production plant are located at BGA. The Company is TAMAM's main customer.

In the Report Year, TAMAM supplied food to the Company, other aviation customers, cargo flights, private flights and other customers.

In December 2016, TAMAM signed an agreement with the IAA, following it being awarded, in August 2016, a reissued IAA tender for the receipt of up to 3 authorizations for the production, transportation, unloading, loading and supply of food and related products for aircraft, in December 2016. In accordance with the terms and conditions of the tender, in October 2019, TAMAM commenced the construction of a building that shall replace the existing building currently used by TAMAM.

Construction of the building, which had been suspended due to the Covid crisis, was resumed in April 2023. As of Shortly Before Approval of the Report, the Company estimates that construction of the building will be completed in 2026.

The new building incorporates advanced processes and is equipped with modern machinery, aiming to increase output and streamline and improve production processes. The building is expected to comply with the highest standards. Furthermore, a passenger service warehouse is also expected to be relocated and be part of the new building. In addition, the location of the new building, which is close to Terminal 3, coupled with the adjacency to the passenger service warehouse, will allow for better logistic efficiency, streamlining the chain of supply, in the Company's interest.

For further details, see Notes 9.B. and 10.I. to the Financial Statements.

The Company's estimations as specified above, including regarding the construction of the building, the expected period of construction thereof, the machinery to be installed therein and relocation of the passenger service warehouse to the building as well as the effects on the Company, are deemed forward-looking information as defined in the Securities Law, the materialization and materialization manner of which naturally depend, inter alia, on factors beyond the Company's control, including the receipt of various approvals or permits and engagements with third parties that are necessary for the construction and operation of the building, as well as the materialization of any of the risk factors specified in Section 8.16 below.

(c) Borenstein Caterers, Inc. ("Borenstein")

Borenstein (a company wholly owned by the Company), which is registered in the U.S. and operates near the John F. Kennedy Airport in New York, U.S., is in the business of production and supply of kosher meals to airlines, cruise companies and other institutions. The Company is a material customer of Borenstein.

(d) **Cockpit Innovation Ltd.**

Cockpit operates in the field of entrepreneurship development, and concentrates the Company's innovation activity, for acceleration, support and creation of collaborations with startups in Israel and worldwide, in various stages – from the early prototype phase up to companies in the growth phase – and integration thereof into the aviation and tourism industries. As of the Report Date, Cockpit had entered into collaboration agreements with several startups, in some of which cases Cockpit was issued shares and/or options in such startups.

As of Shortly Before Approval of the Report, the Company holds 80.9% of Cockpit's shares, and Boeing Worldwide (through a partnership owned thereby) and Gate Gourmet hold 8.9% and 10.2% (on a fully diluted basis), respectively.

(e) **Air Consolidators Israel Ltd. ("ACI")**

The main business of ACI (all of whose Class B shares are held by the Company, thereby granting the Company the right to appoint half the number of directors, as well as participate and vote in the general meetings), is grouping together of air cargoes in BGA to allow for cheaper air shipping. The shipments are transported mainly via the Company, as well as via foreign companies. The shares do not grant the Company the right to receive profit by way of dividend distributions or other benefits as will be available for distribution at ACI, other than profit and dividend from profit that originate from capital gains.

(f) **EL AL Frequent Flyer Ltd.**

For details about the FF Company, see Section 7.6.3 above and Notes 14 and 21 to the Financial Statements.

(g) **EL AL Israel Airlines Gulf FZCO ("FZCO")**

FZCO was established in November 2021 in Dubai (United Arab Emirates) for the purpose of providing security services to Israeli airlines. In view of the Company's resolution to liquidate FZCO, FZCO is under voluntary liquidation proceedings.

8.7.2 Concise description of other Company holdings

Fly In, Limited Partnership ("Fly In")

The Company engaged in an agreement Phoenix Insurance Agencies 1989 Ltd. ("**Phoenix Insurance Agencies**"), a company wholly owned by Phoenix Insurance Company Ltd., for the establishment of Fly In, which is held by the Company (50.09%), Phoenix (49.89%), and a company established by Phoenix Insurance Agencies and EL AL and serving as the general partner (0.02%). As of Shortly Before Approval of the Report, Fly In is not active.

8.8 Financing

8.8.1 Loans other than for designated use

The Group has a loan that was taken against the assets of the FF Company. For details with respect to this loan, see Note 14 to the Financial Statements.

For details with respect to the prepayment of flight tickets for transport of aviation security personnel, see Note 13 to the Financial Statements.

8.8.2 Key conditions and restrictions in the receipt of credit

For details regarding the ratio of loan balance to collateral, restrictions on transfer of control, and conditions for acceleration by lenders, see Note 14 to the Financial Statements.

8.8.3 Credit facilities

As of the Report Date, the Company had financial credit facilities in the sum of approx. \$26.5 million. The credit balance used at such time was approx. \$22.7 million. As of Shortly Before Approval of the Report, the Company has credit facilities in the sum of approx. \$26.5 million. The credit balance used as of such date was approx. \$3.4 million.

8.8.4 Guarantees against collateral

The total amount of guarantees provided by the Company to secure its undertakings to third parties, as of the Report Date, is immaterial.

8.8.5 Loans for designated use

The Company has loans that were used for the purchase of aircraft and engines. For details about these loans, see Note 14 to the Financial Statements. For details about pledges and collateral, see Note 14 to the Financial Statements.

8.9 Taxation

For details with respect to taxation issues in relation to the Company, including the tax laws applicable to the Corporation and the subsidiaries, see Note 17 to the Financial Statements.

8.10 Environmental, Social and Governance (ESG)

General:

An environmental, social and governance report ("ESG Report") lists three key criteria: Environment and sustainability, social issues and corporate governance. These criteria represent the Company's performance in these aspects and reflect the Company's commitment to standards of corporate responsibility and sustainability and the promotion of proper corporate governance.

In the Report Year, the Company released an ESG Report for 2024, in accordance with the Global Reporting Initiative (GRI) reporting standards and according to the Sustainability Accounting Standards Board (SASB) reporting standards. In 2026, the Company intends to release an ESG Report in relation to 2025, in accordance with such reporting standards. The ESG Reports the Company has released are posted on the Company's website.

In addition, the Company is a member of the Maala organization – an umbrella organization for businesses committed to corporate responsibility management, working to integrate social, environmental, and ethical considerations into the day-to-day operations of companies, and to promote the development and implementation of corporate responsibility strategies as a business approach. In the Report Year, the Company participated in the Maala 2025 rating, which awarded a Platinum BB rating under the Maala ESG Index and three-star diversity score.

The Company's assessments regarding the release of an ESG report in 2026, as detailed above, constitute forward-looking information as defined in the Securities Law, which is based, inter alia, on information available to the Company at this time, the materialization of which is uncertain or not entirely within the Company's control, and is affected, inter alia, by the materialization of any of the risk factors detailed in Section 8.16 below.

The steps taken by the Company in the Report Year and until Shortly Before Approval of the Report with respect to the environment and sustainability, social issues and corporate governance are listed below:

8.10.1 The Company's conduct and policy on environmental risks

The Company assigns great importance to, and dedicates resources and time to, addressing sustainability and environmental issues. Given the Company's international nature of operations,



it is subject to different types of regulation, occasionally at the same time (Israeli legislation, foreign regulation, international treaties and additional arrangements). To accomplish its environmental goals and comply with regulatory requirements, without prejudice to its ongoing operations and commitment to the safety and well-being of its passengers, the Company adopted an Environmental and Climate Policy during the Report Year. The policy integrates sustainability principles into various aspects of the Company's ongoing activities and emphasizes its commitment to improve environmental performance in the various aspects of its operations, based on the understanding that this will also ensure compliance with regulatory requirements and international standards.

In February 2025, the Company was certified for the IATA Environment Assessment (IEnvA) program, which is based on the ISO 14001 standard, the leading international standard for environmental management in airlines. The Company meticulously examines the environmental footprint of its various units and works toward constant improvement by way of streamlining and improving work processes.

The Company takes steps to adapt its business plans for them to incorporate principles of climate management, resource effectiveness and reduction of environmental impact at all stages of its operation. Key steps taken by the Company in the Report Year (which are still ongoing) include, *inter alia*:

- The Company allocates designated resources in order to comply with any and all applicable environmental requirements, including national regulation, international standards and binding aviation standards, and to guarantee consistent implementation of principles of environmental management in the aviation activity, catering services, and the Company's Israeli sites.
- The Company established an environment management system (EMS) according to the requirements of the IEnvA program, including development of processes of control, documentation, measurement and constant improvement, enabling orderly management of the environmental aspects and guaranteeing compliance with binding international standards.
- The Company works to reduce the carbon footprint of its operations through constant streamlining of jet fuel use, which includes renewal of the aircraft fleet, adoption of advanced technologies to reduce fuel consumption and improvement of operational results, and implementation of initiatives for streamlining fuel consumption. The streamlining process is managed through mechanisms of measurement, monitoring and current analysis of data, enabling continuous control and constant improvement.
- The Company works to reduce the environmental impact related to the aviation activity, by reducing the quantity of waste generated on flights and during ground operations.
- The Company supports research and development of aviation technologies and alternative fuels, and in particular, sustainable aviation fuel (SAF), by participating in a research initiative and partnering in SAF manufacturing initiatives.
- The Company works toward incorporation and inclusion of the Company's supply chain entities in the achievement of its environmental goals.
- The Company works to actively manage environmental and climate risks which may impact its operations, through internal mechanisms that include:
 - A risk management committee on the Company's board of directors, in charge of approval and review of the Company's risk strategy, including environmental and climate risks.
 - An internal steering committee headed by the Company's CEO which works to promote ESG initiatives.

- Conduct of a comprehensive climate risk assessment according to international methodologies.
- The Company has an internal professional team, including the Head of Environment, Fuel and Sustainability, working with the support of external advisors to monitor developments in Israel and worldwide.
- External control by external entities working with the Company in matters of ESG and the corporate risk map and assisting with the Company's compliance with environmental criteria.

Environmental risks and management methods thereof

Impactful environmental risks:

The Company's operations, as an international airline, are affected by significant environmental risks, particularly by facing stringent environmental regulation, rising energy costs and carbon taxation, the impacts of climate change, and shifts in consumer and investor preferences on sustainability. These factors may affect the Company's operating results, financial position, and business strategy.

As part of the Company's commitment to responsible and sustainable management of its operations, the Company identifies and manages environmental risks that have a material effect on its business operations, as follows:

Noise: Noise reduction regulation may limit the operating hours of airports and affect flight schedules. Many countries, including Israel, have adopted the accepted international standards for aircraft noise and established additional rules for environmental protection. Various airports around the world impose restrictions on aircraft takeoff and landing times. Airline schedules, including the Company's, are determined according to these restrictions.

As concerns BGA, such restrictions were imposed by virtue of government resolutions and instructions by relevant authorities. In addition, the Aviation Law, 5771-2011 (the "**Aviation Law**") sets forth directives on aircraft noise, which allow the imposition of administrative monetary penalties on the Company for the exceedance of such noise levels as prescribed by law.

The Company works to mitigate noise impacts by modernizing its fleet, complying with international noise standards, and implementing operational procedures that are in line with the regulatory requirements and the IAA directives.

In addition, as part of the preparations for the NOP 4/2 update, on 15 May 2024, the Draft Aviation Regulations (Nighttime Movement Restriction and Noise Quota at the Ben Gurion Airport), 5784-2024 (in this section: the "**Draft Regulations**") was released for public comments. It is proposed under the Draft Regulations that new regulatory provisions be established to reduce nighttime noise around BGA, similarly to the method practiced at nighttime at some of the airports around London. The Company submitted its response to the Draft Regulations. As of Shortly Before Approval of the Report, the CAAI continues to hold discussions with all stakeholders, including the Company. A final draft of the regulations is subject to approval by the Knesset. Of note, the tightening of noise regulation as noted may impose operational restrictions on the Company's activities due to restrictions on the operation of aircraft at certain times, which may lead to an increase in the Company's operating expenses and harm the Company's business results.

Emission of greenhouse gases and air pollution: In view of the aviation industry's contribution to global greenhouse gas emissions, strict international regulation regarding such emissions has evolved. In such context, the Company is subject to the provisions of the European Union's emission trading system (EU ETS) and to the CORSIA program of the international aviation organization (ICAO) which was also established in the Aviation Regulations (Implementation of the Provisions of Annex 16 to the Chicago Convention on CO2 Emissions), 5785-2025. For further details, see the section "Environmental and Climate Regulation and its Impact" below.

Effective from January 2025, the Company has begun to implement a policy on incorporation of sustainable aviation fuel (SAF) into the fuel mix used for its flights from Europe, according to the requirements of the European Union's Refuel EU Aviation regulations. Incorporation of the SAF is a central component of the Company's sustainability strategy, and designed to reduce the intensity of greenhouse gas emissions promoting the Company's preparation for and compliance with the European and international sustainability targets.

In addition, in the Report Year, the Company continued to take steps to improve aircraft efficiency and reduce fuel consumption – adding newer more cost-effective aircraft to the fleet, optimizing flight routes and using technologies for management of air traffic to reduce fuel consumption and emissions. Furthermore, the Company is continuing with the project of renewal and upgrade of its 777 Boeing aircraft fleet, which is expected to result in the streamlining of the Company's fuel consumption. For further details on the aircraft upgrade project, see Section 7.4 above.

In addition, the level of carbon dioxide emission by the engines installed in 787 Boeing aircraft is lower than that of previous aircraft which were retired. In addition, the Company's transaction for the purchase of 737 MAX aircraft constitutes an additional step in the Company's fleet renewal, since these aircraft are energy efficient compared to narrow-body aircraft now in operation. The incorporation thereof into current operations is expected to contribute to the improvement of the Company's overall operational efficiency and to a phased reduction of fuel consumption and emissions as aforesaid.

Alongside the fleet and equipment renewal, the Company works in a current manner to implement additional operational streamlining moves, including use of advanced flight planning systems, optimization of flight routes, management of the aircraft's weight, and improvement of ground and air operation processes.

In addition, the Company implements emission offsetting mechanisms – in the context of participation in carbon offsetting programs and adapts its operations to regulation applicable to the industry. The Company periodically reports to the regulatory authorities and the interested parties, in accordance with the regulation and the ESG reporting directives. Furthermore, the Company is setting long-term goals for reducing the intensity of jet fuel emissions.

Future regulation on the subject of carbon emission taxation, alongside possible limitations on oil-based aviation fuels, may require the Company to prepare for expansion of use of SAF whose cost is significantly higher. Such regulation may result in an increase in the Company's operating expenses and a need for investments in emission reducing infrastructures. Furthermore, many countries are considering tightening their carbon emission tax policies within the aviation industry, including fuel taxes and dedicated emission levies, which may impact the Company's cost structure.

Waste management: International regulation imposes responsibility on airlines with respect to the disposal of food waste and plastic waste, which requires adjustments to be made to flight catering and operation processes. The Company places great importance on the processing of waste created incidentally to its current operations. In doing so, the Company acts to recycle electronic waste, paper and cardboard and continues to implement the project and reduce food waste. These reductions contribute to minimizing environmental impact and represent annual savings for the Company.

The new TAMAM food facility: In the establishing the new TAMAM food facility, means of production and systems incorporating technologies that enhance efficiency and energy savings have been integrated, including: use of gas and electricity-powered means of production, installation of CO₂-based freezing systems, implementation of control systems for temperature management and motion detection, purchasing of LED light-based lighting systems, and treatment of the leachate using a reverse osmosis process.

Wastewater: The Company's wastewater originates from various maintenance activities sanitary wastewater. The Company's wastewater is treated in a central facility within BGA, which is approved by the Ministry of Environmental Protection and operated by the IAA. For its use of the central facility, the Company pays the IAA annual usage fees for a defined period, according to the volume of the wastewater. The Company also operates a facility that is built on its premises



and serves as an emergency reservoir in case of a problem with the quality of the Company's wastewater. At the same time, in the Report Year, toxic wastewater was removed according to type to companies that are licensed by the Ministry of Environmental Protection to treat wastewater. Furthermore, in the Report Year, the Company completed a water reclamation process that contributes to water efficiency and reduces discharges into external systems. Of note, no exceedance was found in the Company's wastewater in the Report Year. In 2026, the Company intends to continue its maintenance activities for wastewater prevention as part of the 2026 work plans.

Soil and water contamination: In the Report Year, the Company conducted a soil survey of the premises of two fueling stations that operated on the Company's campus, using external experts. The fueling stations were built in the 1970s, the first of which was shut down completely in the Report Year and the second of which is still used for fueling Company vehicles. The Company was required to by the Ministry of Environmental Protection and conducted a soil review and soil sampling plan at the two stations following the request of the Contaminated Soil Commissioner at the Ministry of Environmental Protection, according to the Ministry's policy on old fueling stations built prior to 1997.⁴

Soil survey plans for the areas of the fueling stations were submitted by the Company to the Ministry of Environmental Protection and approved thereby. The soil surveys discovered contamination and during the Report Year, the Company in coordination with the Water Authority, commenced a periodic (quarterly) groundwater sampling process to determine whether the contamination has reached water sources. This sampling process is expected to continue also in 2026. Based on the survey findings, the Company submitted soil remediation plans for two fuel station complexes to the Ministry of Environmental Protection. The plans were approved by the Ministry of Environmental Protection and the Company is expected to begin the remediation work during 2026, in accordance with the approved plans and in coordination with the relevant authorities.

The Company included a provision in its financial statements for the estimated remediation costs. The Company estimates that the remediation costs are not expected to have a material effect on its business results or its financial position.

The Company's assessments regarding the expected restoration costs and their potential impact on the Company constitute forward-looking information, as defined in the Securities Law. Such information is based, inter alia, on information available to the Company at such time, the materialization of which is uncertain or not entirely within the Company's control, and is also affected, inter alia, by the materialization of any of the risk factors detailed in Section 8.16 below.

Business licensing and environmental permits: The Group has ~40 business licenses that refer to its ground operations (workshops, auto service shops, kitchens, warehouses, etc.). A large share of these businesses is subject to business license conditions determined by the Ministry of Environmental Protection. The Company is further subject to the provisions of the toxins permit it holds. In the Report Year, the Company continued the process for extensive arrangement of permits for old buildings that had been built when the company was government owned, and for arrangement of the continued term of licenses for management of the Group's business.

Climate risks: The Company recognizes the increasing importance of climate risks and their potential impact on its business operations. In the Report Year, the Company began a structured process to map, identify, and assess potential climate risks relevant to its operations, including possible impact of extreme weather events on flight schedules, damage to airport infrastructure, implications of rising temperatures on fleet performance and other impact on operational activities. The main risks that have been identified by the Company are heat waves, storms, fires, precipitation, etc.

The Company assessed the risks over different time frames, analyzing the risks in different scenarios and deriving significance. The Board's risk management committee discussed such risk factors and their classification in the Report Year and began an examination of their potential impact on the Company. The process of mapping, assessing risks, and addressing them is

⁴ For details, see the Water Regulations (Prevention of Water Pollution) (Fueling Stations), 5757-1997.



expected to intensify in 2026. The risk management committee will continue to discuss the issue in its meetings, including examining the need to formulate a detailed work plan to deal with such risks. In accordance with the climate risks identified by the Company, steps will be determined to address and mitigate them, and the Company will implement an appropriate work plan.

The Company's assessments regarding the various actions that the Company is taking and is expected to take regarding the environment and climate and their possible impact on the Company, and the Company's assessments regarding future regulation and its preparation therefor, constitute forward-looking information as defined in the Securities Law, which is based, inter alia, on the information the Company holds at this time, the materialization of which is uncertain or not wholly controlled by the Company, and is affected, among other things, by the materialization of any of the risk factors specified in Section 8.16 below.

Environmental and climate regulation and its effects

The Company has the duty to comply with several principal laws, including the Clean Air Law, 5768-2008; the Hazardous Substances Law, 5753-1993; the Business Licensing Law, 5728-1968; the Business Licensing Regulations (Disposal of Hazardous Waste), 5750-1990; the Water Law, 5719-1959; the Prevention of Hazards Law, 5728-1961; the Regulation of Packaging Processing Law, 5771-2011; the Environmental Processing of Electric and Electronic Equipment and Batteries Law, 5772-2012; the Prevention of Asbestos and Harmful Dust Hazards Law, 5775-2011; the Maintenance of Cleanliness Law, 5744-1984, and the Aviation Law. Along with the provisions of the legislative acts, the Company is subject to the provisions included in the toxin permit and the conditions of the business licenses it has been granted, which are required for its continued aviation operations and related ground operations.

The Company takes part in the Emissions Trading Scheme (ETS), the E.U. and British regulation for supervising, reporting and ascertaining greenhouse gas emissions. In addition, the State of Israel is a member of ICAO and in accordance with its decision, in 2020, it adopted an action plan for the reduction of greenhouse gas emissions from aviation operations.

Aviation International for Scheme Reduction of Offsetting Carbon (CORSIA):

In accordance with the commitment of the State of Israel, and in coordination with the CAAI, the Company reports under CORSIA (Aviation International for Scheme Reduction of Offsetting Carbon) on greenhouse gas emissions in its current operations.

In July 2025, the Aviation Regulations (Implementation of the Provisions of Annex 16 to the Convention regarding CO₂ Emissions), 5785-2025, took effect. These regulations concern the implementation of the provisions of Annex 16 to the Convention regarding CO₂ emissions from aircraft, where the regulatory method is by way of reference to the provisions of the Annex itself, meaning, the formal application of the Annex's provisions to the Company, including requirements to measure and report emissions and to offset excess emissions by purchasing emission units their cancellation through carbon markets from pools approved by ICAO.

The purchase of emission units for the years 2024-2026 is expected to be carried out by the beginning of 2028, in accordance with the provisions of the law, as may be from time to time. For further details regarding the accounting provision, see Note 12 to the Financial Statements.

The Company's assessments regarding the purchase of emission units for offsetting purposes constitute forward-looking information as defined in the Securities Law, which is based, inter alia, on the information the Company holds at this time, the materialization of which is uncertain or not wholly controlled by the Company, and is affected, among other things, by the materialization of any of the risk factors specified in Section 8.16 below.

Climate Bill and government resolutions for reduction of greenhouse gas emissions

In March 2024, the Climate Bill, 5784-2024 was published in the Official Gazette. The bill provides applicative mechanisms, such as the setting of compulsory emission reduction targets, preparation of national plans for dealing with climate change, and appointment of an advisory

climate change committee that will formulate a suitable policy. As of Shortly Before Approval of the Report, this bill has not yet been passed by the Knesset and it is impossible to assess its potential effect on the Company's operations.

Costs

In the Report Year, the Company's investments in environmental issues as specified above (including provisions for Corsia), amount to approx. \$17 million. For further details on discussion of the "environment, climate and noise" risk factor, see Section 8.16.12 below.

8.10.2 Social

General:

The Company deems itself committed to the community in which it operates and attaches significant importance to its responsibility to the community. The Company places the security and safety of its passengers as its top priority and carries out extensive action to ensure the same. The Company also regards its employees as the source of its strength and the existence of an attentive, considerate, safe and fair work environment, all based on an understanding of the connection between high-quality strategic business management and commitment to working for and promoting corporate social responsibility.

In 2023, four principal areas of activity were established, within which the Company acts going forward, in keeping with its core values: Promoting Israeli excellence, with an emphasis on education and technological innovation; providing service and a flight experience of the first order, characterized by personal, courteous and attentive service; ensuring the safety and security of the passengers; as well as exercising social involvement in the community and offering help to the various demographics. In 2023, as part of the focus of the social responsibility activity, the Company adopted a human rights policy and a donation policy. As a result, a donations committee was established, that convenes from time to time, headed by the CEO of the Company, which also discusses the Company's activity vis-à-vis various nonprofit organizations. In the Report Year, the Company implemented the IMPACTOR system, which coordinates all requests from nonprofit organizations, associations, and entities via the Company's website and facilitates ongoing budgetary control, subject to the Company's donations policy.

8.10.3 Code of Ethics

The Company's Code of Ethics includes values, norms of conduct, an enforcement and implementation policy and channels of communication for reporting violations of the Code of Ethics and the ethical rules, which are intended to guide the activity of the Company and its position holders in the course of their work and set forth standards for their conduct. In 2023, the Company's Board approved the Company's revised Code of Ethics, and the Company continued to act during the Report Year, for internalization thereof among the Company's employees in and outside of Israel.

In addition, the Company assigns great importance to cooperation with its suppliers, with the Company mapping out the material issues in the framework of a responsible supply chain, streamlining the work processes vis-à-vis its suppliers and the Company intends to approve a responsible supply chain policy in 2026.

The Company's assessments regarding the approval of such supply chain policy constitute forward-looking information as defined in the Securities Law, which is based, inter alia, on the information the Company holds at this time, the materialization of which is uncertain or not wholly controlled by the Company, and is affected, among other things, by the materialization of any of the risk factors specified in Section 8.16 below.

8.10.4 Accessibility

The domain of accessibility at the Company is demonstrated in three aspects: Accessibility of the digital assets, accessibility of the service and physical accessibility. For further details, see Section 8.11.2(ih[sic]) below.

8.10.5 Community involvement and support

The Company places significant importance on its responsibility to the community, based on a genuine and unique link to the State of Israel. The Company has put together a community responsibility policy, which includes entity-wide projects in the context of which it maintains activities for contribution to the community and employee volunteering, while establishing long-term partnerships with community partners.

The target groups supported by the Company in this context include IDF soldiers, children suffering from complex medical conditions, people with disabilities, families in need, Holocaust survivors, education and entrepreneurship, women's organizations and other groups.

In the Report Year, the Company donated to various nonprofit organizations, including the Ramon Foundation, "Larger than Life", "Shalva", the Rakia pre-military program, "Unistream, as well as organizations supporting populations affected by the war, including the "IDF Widows and Orphans Organization", the "IDF Disabled Veterans Organization", and "The Association for Israel's Soldiers". The Company also makes a donation every year to the Association for Israel's Soldiers, in the context of the "Adopt a Combat Soldier" initiative and has adopted a battalion of the Paratroopers Brigade with which it has maintained close ties since 2012. In the Report Year, the Company began adopting the Home Front Command's Search and Rescue and Training Brigade, as part of the 'Special in Uniform' (*Gdolim BeMadim*) project.

The Company's community activities

Further to Section 1.2 above, since the first day of the War, the Company has conducted various activities to support and assist the defense forces in these times. Among other things, the Company has donated various products, placed refreshment stands for soldiers at various points across the country, visited wounded people and assisted bereaved families.

In the Report Year, the Company launched a campaign for donation of FF Company points, allowing its customers to donate points to various nonprofit organizations, including the Hostages and Missing Families Forum, the Association for Israel's Soldiers, the IDF Widows and Orphans Organization and the IDF Disabled Veterans Organization. In addition, as a token of appreciation for military reservists, the Company held a campaign providing benefits for flight tickets, baggage, and seating for military reservists and combat soldiers, in order to allow them to enjoy a convenient and accessible vacation. Furthermore, special flight benefits were provided to returning hostages. This year as well, the Company continued its support for the Paralympic team, as well as for the Taglit organization.

In the Report Year and until Shortly Before Approval of the Report, the Company's people dedicated dozens of thousands of hours of volunteer work in various IDF bases, inter alia, packing battle rations for combat soldiers, visiting the wounded in rehabilitation wards at various hospitals across the country, and more.

For details with respect to the total donations made by the Company in the Report Year, see Section C1. of the Board Report.

8.10.6 Corporate governance

An independent director was appointed to the Company's Board in the Report Year – Dr. Alon Friedlander, and as of Shortly Before Approval of the Report, the percentage of independent directors on the Company's Board is 50%. In addition, and as of Shortly Before Approval of the Report, the percentage of women on the Company's Board (all of whom are external directors) is

25%. For further details about the education and expertise of the directors, see Regulation 26 of the Additional Details on the Corporation chapter.

Furthermore, in the report year, the Company continued arranging for the approval of several policy documents in various areas approved by the Board of the Company. The Company is expected to continue arranging for additional policy documents in 2026 as well.

The Company's assessments regarding the arrangement of additional policy documents as aforesaid, constitute forward-looking information as defined in the Securities Law, which is based, *inter alia*, on the information the Company holds at this time, the materialization of which is uncertain or not wholly controlled by the Company, and is affected, among other things, by the materialization of any of the risk factors specified in Section 8.16 below.

8.11 Restrictions on and over of the Corporation's Business

8.11.1 General

Most of the aspects pertaining to the Company's operation as an air carrier are subject to a set of Israeli and international regulatory arrangements which pertain, *inter alia*, to aviation rights, capacity and standards for flight safety, security and noise, and are contingent on a commercial operation license and an air operation license.

In addition to the operation licenses, the Company's business is contingent on its being an Israeli air carrier (main ownership and substantial control held by the State or citizens thereof) and permits by foreign countries to exercise the aviation rights granted thereto as a stated carrier. For details on the aviation agreements and civil and international aviation policy of Israel, see Sections 8.11.6 to 8.11.8 below. In addition, further restrictions apply to the operation of the Company by virtue of the Special State Share. For details, see Section 8.11.9 below.

8.11.2 Regulatory arrangements

Following are the main Israeli and international regulatory arrangements applicable to the Company's operation as an air carrier.

For security arrangements, see Section 8.11.12 below. For operating during times of emergency, see Section 8.11.13 below.

a) The Aviation Law, 5771-2011 (the "Aviation Law") and the Aviation Regulations

The Aviation Law and the regulations thereunder govern the practice of all players in the field of civil aviation – personal licensing of aviation workers (aircrew, air traffic controllers, inspection personnel, trainers and instructors), and licensing of entities (aircraft manufacturers, airlines, inspection institutes, flight schools and institutes for qualification of inspection technicians, etc.). The Aviation Law and the regulations thereunder encompass many issues in aviation, including such that address aviation professions and the duties thereof, aircraft, controlled airspace, control powers, investigation of safety events, adoption of the current arrangement in US regulations pertaining to pilot- and flight attendant-fatigue management, such as minimum rest times between flights (FTL), and set forth provisions regarding penalties and financial fines for breach of the law.

For details regarding the draft of the Aviation Regulations (Nighttime Movement Limits and Noise Quota at Ben Gurion Airport), 5784-2024, see Section 8.10.1 above.

b) The Aviation Services Licensing Law, 5723-1963 and the Licensing Regulations

This law regulates aviation licensing principles, and EL AL was issued a commercial operation license by virtue thereof. Regulations issued under the Licensing Law regulate, *inter alia*, the operation of charter flights and flight time limits in aviation services.

c) The Air Transport Law, 5740-1980

This law and the orders and notices issued thereunder adopt several international conventions which set forth various rules on international air transport, primarily in terms of the liability of an air carrier for damage (bodily injuries and property damage), caused during international air transport, and the damages imposed on an air carrier for such liability. The law applies the Warsaw Convention for the Unification of Certain Rules relating to International Carriage by Air and the Montreal Convention, which updated the existing set of rules under the Warsaw Convention, including increase of the liability cap for damage caused to a passenger's person or property, the addition of jurisdictional powers and imposition of an insurance duty on the air carrier.

d) The Israel Airports Authority Law, 5737-1977

This law and the regulations and rules issued thereunder regulate, inter alia, the following issues: aviation fees, transport of import shipments, entry to restricted areas, license fees and loading and unloading of aircraft.

e) The Civil Aviation Authority Law, 5765-2005

This law sets forth the functions of the Israeli Civil Aviation Authority, including: Establishing and ensuring compliance with domestic and international aviation procedures pursuant to aviation laws; granting civil aviation licenses, permits and certifications pursuant to aviation laws; overseeing the civil aviation sector, and, *inter alia*, maintaining an adequate flight safety standard in Israeli aircraft and in aircraft within Israel's airspace.

f) The Economic Competition Law, 5748-1988 (the "Economic Competition Law")

This law concerns competition laws and, inter alia, imposes prohibitions on engagement in restrictive trade practices in violation of the provisions of Chapter B of the law; subjects merger transactions, under certain circumstances, to approval by the Competition Commissioner; prescribes specific prohibitions for monopolists (as defined in Chapter D of the law, an entity holding a market share of over 50% or an entity that holds significant market power, even if its market share is less than 50%). The law sets the maximum administrative monetary penalty that the Competition Commissioner is allowed to impose on large corporations for violations; and imposes an active duty on corporate officers to supervise and do everything possible to prevent the perpetration of an offense by the corporation or any of its employees.

Update of block exemptions

Pursuant to the specific block exemption for the aviation industry, the Competition Rules (Block Exemption for Arrangements between Air Carriers) (No. 2) (Temporary Provisions), 5774-2013 (the "**Block Exemption**"), provide for arrangements concerned solely with the technical operation of a flight or aircraft, aircraft maintenance or the crew (and which pertain to one of the subjects mentioned in the block exemption), are exempt from approval of a restrictive trade practice without substantive competition analysis, as was the case also before the Block Exemption. Similar treatment is extended also to frequent flyer program collaboration arrangements, interline arrangements and Codeshare arrangements (other than on the direct route between the hub airports of the parties to the arrangement, and subject to the arrangement not being between two Israeli carriers). The applicability of the exemption is contingent on further conditions pertaining to the type of restraints included in the arrangement.

The Block Exemption also applies a self-assessment regime to all arrangements between air carriers that do not fall within the scope of the aforesaid Safe Harbors. The implementation of an arrangement based on self-assessment is contingent, inter alia, on the arrangement not being primarily about competition reduction or prevention and on the arrangement not significantly reducing competition.

As of 2 June 2026, an amendment to the Block Exemption will take effect, under which all Safe Harbors currently established in the Block Exemption will be revoked, and any arrangement between air carriers will be subject to a self-assessment regime. As of the Report Date, the Company is examining the potential implications of such regulatory change on its operations and is making the necessary adjustments to ensure compliance with such amendment.

The Monopoly chapter in the Economic Competition Law

In October 2005, under Section 26(a) of the Economic Competition Law, the Commissioner released a declaration of the Company as a monopolist in the carriage of time-sensitive and price-sensitive passengers in the civil aviation markets for the destinations of Johannesburg, Hong Kong, Bangkok and Mumbai.

In September 2012, under Section 26(a) of the Economic Competition Law, the Commissioner released a declaration of the Company as a monopolist in the provision of aviation security services overseas, according to professional guidance given to airlines under the provisions of the Law for the Arrangement of Security in Public Bodies, 5758-1998 and under the Aviation Law (Civil Aviation Security), 5737-1977, for passengers and cargo in passenger flights.

On 8 February 2026, after the date of the Statement of Financial Position, the Company received notice from the Competition Commissioner (the "**Notice**" and the "**Commissioner**", respectively), whereby she is considering exercising her authority under Section 50D(a)(3) of the Economic Competition Law, 5748-1988 (the "**Law**") and imposing on the Company an administrative fine in the sum of approx. ILS 121.8 million due to an ostensible violation of Section 29A(b)(1) of the Law regarding "Setting an unfair high price" which, according to the Commissioner, was expressed in an average increase of ~16% in the prices of Economy and Premium class flight tickets in the period from 7 October 2023 until the end of May 2024, in which period, according to the Commissioner, the Company held a monopoly in operating flights to and from Israel, as well as to specific destinations, as compared to a pre-war benchmark period. The Company disputes the claims made in the Notice. It is the Company's position that it acted in accordance with the law. Furthermore, on 23 February 2026, the Company received an additional notice from the Competition Commissioner (the "**Additional Notice**"), whereby she is considering exercising her authority under Section 43(a)(5) of the Law to impose an administrative fine on the Company in the amount of approx. ILS 110 million, and to impose an administrative fine totaling approx. ILS 1 million on two officers who served in the Company at the relevant time, for alleged violation of Sections 29, 29A(a), 29A(b)(2), and 29A(b)(3) of the Law, which concern the alleged abuse of the Company's purported position as a monopoly in the market for passenger aircraft maintenance hangars in Israel. Furthermore, and in accordance with the Additional Notice, the Commissioner is considering declaring the Company a monopoly in the passenger aircraft maintenance hangar market in Israel, pursuant to Section 26(a)(1) of the Law. The Company disputes the claims in the Additional Notice, including the claim that it holds a monopolistic position in the market as defined by the Commissioner. The Company believes that it acted in accordance with the law and shall present its position in legal proceedings as prescribed by law. In addition, the officers also dispute the claims made against them in the Additional Notice. Nevertheless, based on the management's assessment and the opinion of its legal counsel, the Company has recognized a provision in its financial statements in respect of the above.

For further details, see Note 16 to the Financial Statements.

g) Aviation Services Law (Compensation and Assistance due to Cancellation or Change in the Terms of Flights), 5772 -2012

The Aviation Services Law (Compensation and Assistance due to Cancellation or Change in the Terms of Flights), 5772-2012 (the "**Aviation Services Law**") adopts, with certain adjustments and changes, the principles of European Union Regulation 261/2004 which prescribes conditions for bumping passengers from flights, arrangements applicable to changes in flight times and flight cancellations. The law applies to all outbound flights (scheduled and charter) from Israel and all inbound flights to Israel. In accordance with this Law, in the event of a flight cancellation, flight delay, refusal to board a passenger on a flight, and change to a lower seating class, subject to compliance with the conditions and circumstances set forth in



the law, the passenger shall be entitled to the remedies specified in the law, such as assistance services (telecommunication, food, beverages and accommodation), refunds or an alternative flight ticket and, in certain cases even monetary compensation.

On 11 February 2025, an amendment (the "**Amendment**") and temporary provision to the Aviation Services Law were enacted, which were intended to deal, among other things, with the consequences of the War on the aviation industry. In the context of the Amendment, the Minister of Transportation and Road Safety (the "**Minister**") was given the authority under certain circumstances to give an order, after consulting with the Minister of Economy and Industry and with the approval of the Knesset's Economic Committee, changing the benefits to which a passenger whose flight is cancelled is entitled. Among other things, the Minister may determine by order that the accommodation services to which a passenger is entitled will be limited to a number of nights to be determined and no less than two nights, determine various provisions regarding eligibility for an alternative flight ticket, and deny eligibility for financial compensation.

After the end of Operation Rising Lion, several discussions were held in the Economic Committee, at the end of which the committee unanimously adopted a decision clarifying that the committee believes that in a situation where all flights have been canceled by all airlines following the closure of Israel's airspace due to an operation initiated by the State, the responsibility for compensation lies with the State, as was customary in other contexts regarding war damage compensation. The Economic Affairs Committee also believes that it was correct and justified to formulate an outline allocating the damage between the State, the airlines, and the passengers, and since the outline was not presented thereto as stated, it believes that the responsibility for compensation lies with the State. Subsequently, and against the backdrop of disputes between the various government ministries preventing the formulation of an outline, the committee decided to contact the Prime Minister with a demand that he promptly take action and leadership for an outline for fair and adequate compensation, both for passengers whose flights were canceled during the operation and for the airlines that suffered heavy damage. In view of the aforesaid, in December 2025, the Company approached the Prime Minister with a request that he act in accordance with the decision of the Economic Committee to formulate a specific compensation plan for passengers whose flights were canceled during Operation Rising Lion, and, alternatively, to promote an appropriate legislative amendment, including by way of a temporary provision, which will uniquely regulate the rights of passengers during the period from the closure of airspace until the return of aviation activity to normal.

Furthermore, in December 2025 IATA, together with other companies and entities in the aviation world, filed a petition with the High Court of Justice ordering the Minister of Transport, the Minister of Economy, and the Knesset's Economy Committee to give reasons why an order will not be issued pursuant to Section 9A of the Aviation Services Law, which will determine retroactively, with respect to the entire period affected as a result of Operation Rising Lion, that the accommodation services pursuant to the Aviation Services Law will be limited to a period of two nights; exemption from payment of statutory compensation with respect to all flights affected during the period of Operation Rising Lion; a passenger's entitlement to a replacement flight ticket will be for a flight ticket from a different point of departure and/or to a different destination than those specified on the original ticket. In December 2025, the Company filed a request to join as a party to the petition. The respondents filed their response to the petition, in which they argued that the petition should be dismissed, and a hearing on the petition is scheduled for December 2026.

h) Equal rights for persons with disabilities

The Company operates in accordance with the provisions of law, regulations and regulatory directives applicable thereto regarding accessibility both in Israel and in the world, such as the Equal Rights for Persons with Disabilities Law, 5758-1988; Equal Rights for Persons with Disabilities Regulations (Regulation of Access to Public Transportation Services), 5763-2003; Furthermore, as pertains to flights to and from the U.S., the Company is subject to the directives of the U.S. Department of Transportation (DOT).

The Company prioritizes making service accessible to its customers, which includes service adjustments and customized work processes; the physical accessibility of facilities and



operating environments; and the digital accessibility of the website, systems, and online platforms, in accordance with accepted standards and legal requirements. The Company's operations are rooted in a commitment to the values of equality, respect, and inclusion.

As an airline and air carrier, the Company operates, among other things, in accordance with international laws and standards applicable to its accessibility activities. The implementation of these obligations is reviewed and updated on an ongoing basis, with the aim of ensuring an accessible, safe, and respectful service experience for every passenger, through all stages of the flight journey.

The Company has an intra-company team and a committee was formed, led by the Company's CEO, to address accessibility gaps and accessibility innovation within the Company, with the Company being assisted by outside consultants for ongoing support on this matter.

i) Privacy protection

The Company is subject to the relevant regulatory provisions on privacy protection in Israel and in the world, that are applicable to its global operations, including the Privacy Protection Law, 5741-1981, the Privacy Protection Regulations (Information Security), 5777-2017 and relevant international regulation, including the European privacy protection regulation, Regulation (EU) 2016/679, known as the General Data Protection Regulation ("GDPR"). The Company acts on an ongoing basis to meet these requirements. The Company has a dedicated steering committee for privacy protection, which outlines the compliance strategy within the Company, led by senior management members and a professional team. The Company has also appointed a Data Protection Officer (DPO), whose role is to ensure the Company complies with the relevant legal provisions. The DPO reports regularly to the Company's General Counsel and also reports to the Company's Board. Furthermore, the Company has adopted an organizational privacy protection policy that outlines the compliance mechanisms in the Company according to the Company's values and legal requirements and it acts to establish oversight mechanisms on behalf of the Company's Board and its committees. In this context, the Company has delineated audit plans that are carried out by the Company's internal auditor and discussed by the Board's audit committee. For further details regarding the risks applicable to the Company in the field of privacy protection, see Section 8.16.19 below.

j) Powers of Collection and Analysis of Data of Passengers Arriving in or Departing from Israel Law, 5783-2023 (the "Collection Powers Law")

Further to global regulation compelling airlines to provide various data collected thereby in the course of their operations to the appropriate national authorities, as part of the fight against terrorism and serious crime, the Collection Powers Law was enacted, which compels the Company to provide, pursuant to a demand by the competent functions under the law, passenger data and crew data for flights operated thereby. The Company informs the passengers of the possibility that it will be required to provide such information about them in accordance with the requirements of the law.

k) Bribery and corruption

Further to the global development of legislation that addresses bribery and corruption offenses, such as the Foreign Corrupt Practices Act (U.S.) and the United Kingdom Bribery Act (England), which feature vast territorial jurisdiction, in addition to the preexisting prohibition under the Penal Law, 5737-1977, the Company has an internal enforcement program in place with respect to the prohibition on giving or receiving a bribe and the prohibition of corruption. This enforcement program applies to the Company's employees and the employees of the Company's subsidiaries in and outside of Israel, and to relevant third parties. In accordance with this enforcement program, the Company has appointed an enforcement officer for this area and the Company has adopted an internal procedure on the subject. The Company also acts on an ongoing basis to conduct employee training. The enforcement program reflects the great importance the Company assigns to strict compliance with the provisions of the law regarding bribery and corruption offenses.



I) Consumer protection

The Company is subject to the relevant provisions of the Consumer Protection Law, 5741-1981, and the regulations promulgated thereunder, which set out various arrangements regarding the relations between service providers and consumers, e.g., the right conferred on consumers to cancel a transaction at certain times.

8.11.3 Business licenses and building permits

Some of the Company's operations require the receipt of licenses under the Business Licensing Law, 5728-1968, or the receipt of permits from various regulatory bodies. The Company holds 33 business licenses that regulate the activity conducted on its premises.

In addition, TAMAM has business licenses and permits that regulate its activity.

Furthermore, the Group is in the midst of a continuous process pursuant to an extensive plan for the regulation of permits for old buildings that were built when the Company was a government-owned Company, and for regulation of the continued validity of the licenses for conduct of the Group's business.

The Group acts in coordination with Ministry of the Interior representatives and retains expert consultants for assistance with this process. As of Shortly Before Approval of the Report, and due to the ramifications of Covid and the War, proceedings for the receipt of such permits have not yet been completed.

8.11.4 Internal enforcement programs

The Company has an internal enforcement program in the field of securities and corporate law, an internal enforcement program in the field of competition law, and an internal enforcement program in the field of the prohibition of giving or accepting a bribe and prohibition of corruption (for details, see Section 8.11.2(k) above). For further details regarding the Company's enforcement plans, see Section C.6 of the Board Report.

8.11.5 Aviation licenses

Commercial operation license

The Company has a commercial operation license (No. 1/88) that was granted by the Minister of Transport and Road Safety under the Aviation Services Licensing Law, 5723-1963, and which includes general provisions regarding aircraft operation, including the duty to operate flights under a license, the duty to comply with the provisions of the law and protect national security and aviation safety. The license is in effect as long as it has not been revoked or suspended by the Minister of Transport or the CAAI.

The license includes a provision whereby the license holder shall be an "Israeli operator" as defined in the law, and establishes duties regarding the submission of reports and data to the CAAI.

The services the license holder may offer and perform are listed in the addendum to the license and primarily consist of the transport of passengers and goods on scheduled flights between Israel and destinations in foreign countries and between such destinations themselves (it is noted that some of the destinations are not used by the Company due to lack of economic viability, and accordingly the Minister of Transport is entitled to cancel such appointment); the transport of passengers and goods including cargo on passenger domestic flights; the transport of cargo by all-cargo aircraft on scheduled international flights and charter flights.

In August 2025, following the inauguration of the route to Eilat, the commercial license addendum was updated by CAAI whereby the Company is authorized to transport passengers including cargo on domestic flights using large aircraft without further restrictions.

8.11.6 Air operation license

The Company has an air operation license (No. 1/88) that is issued by the CAAI and is valid through 31 January 2027.

The license stipulates that the operator (the Company) may perform operative commercial operation in accordance with the operation specifications that constitute part of the license, in accordance with the air operator's reference manual, and in accordance with the relevant aviation regulations specified in the license. Under the license, the Company may operate large aircraft under Chapter 13 of the Aviation Regulations (Aircraft Operation and Flight Rules).

The Company's aircraft which are listed in the operation specifications are under Israeli registration (under Israeli ownership or foreign ownership with the approval of the CAAI and the Minister of Transport and Road Safety). The operator has the duty to report to the CAAI any change in the aircraft list within the operation specifications (such as sale, purchase, lease out to and/or lease from others) and to update the operation specifications accordingly.

8.11.7 International regulatory arrangements

The international civil airline industry operates under a system of regulatory arrangements pertaining to most of the operating aspects of an airline, especially on the subject of aviation rights, permitted capacity, liability of air carriers for damage (bodily injury and property), and standards of flight safety, security and noise. This arrangements system is comprised of international conventions, laws, regulations and administrative provisions, in addition to bilateral and multilateral agreements.

For details regarding an international scheme for the reduction of aircraft carbon dioxide emissions, see Section 8.10.1 above. For details regarding the "Open Sky" agreements, see Section 7.1.9 above.

The Chicago Convention

The basis for the international regulatory regulations of international civil aviation is the Chicago Convention of 1944. The Convention laid the foundation for the establishment of ICAO, a professional agency of the United Nations whose primary responsibility is to promote issues related to the orderly and safe development of international civil aviation. International scheduled flights are regulated, inter alia, through bilateral aviation agreements. Under such agreements, states grant one another rights to transport passengers and cargo in their territory. The agreements set forth the flight routes approved for operation, the number of carriers on each side and the threshold requirements from the carriers. The agreements are based on reciprocity and providing equal and fair opportunity to the airlines of both countries.

The Tokyo Convention

The Convention on Offenses and Certain Other Acts Committed on Board Aircraft, which was signed in 1963, recognized the need to authorize the aircraft commander on international flights to deal with passengers that may jeopardize flight safety, including making emergency landings, disembarking passengers, and also delivering passengers to the local authorities in the state where he lands. In recent years, the convention has become the primary instrument for dealing with violent passengers.

The Aviation Law (Offenses and Jurisdiction), 5731-1971, adopts the principles set out in the Tokyo Convention into Israeli law. In this context, the law authorizes the captain to take security measures, disembark a person, and deliver that person to the competent authority in the contracting state where he lands.

The Company leads a "zero tolerance" policy against "violent passengers" whose acts are in violation of the provisions of the law, and in so doing, has also set internal procedures for this purpose.

8.11.8 Aviation agreements and the principles of civil aviation in Israel

General

Civil aviation is governed by the universal principle, whereby each state has sovereignty over its airspace, and therefore every commercial flight to or above any state requires a permit from such state. The permit may be issued under a bilateral agreement between countries, which defines concrete terms such as frequencies, number of carriers, etc., or under an "Open Sky" agreement.

Most of the aviation rights pursuant to which the State of Israel permits the Company to carry passengers and cargo on international routes are enshrined in aviation agreements between Israel and foreign countries, and the minority (due to the lack of aviation agreements) are in agreements between the aviation authorities or in commercial agreements between the Company and air carriers of the other country, which require the approval of the aviation authorities of both countries. The main components of the aviation agreements include, *inter alia*, the aviation rights, the determination of a Designated Carrier, and the permissible capacity.

In 2010, an "Open Sky" agreement was signed between Israel and the US. In addition, in 2013, an "Open Sky" agreement was signed between the State of Israel and the EU. In 2020, the Abraham Accords were signed between Israel and several countries, as a result of which new aviation agreements were signed between Israel and several countries, as detailed in section 7.1.9 above.

Designated carrier

In the past, governments granted one another the right to designate one or more air carriers on their behalf in an aviation agreement ("**Designated Carrier**"). In recent years, there has been a change following the granting of licenses to additional Israeli carriers as Designated Carriers for a number of flight destinations, some in place of the Company, and also following the signing of "Open Sky" agreements with the US and the EU, which in effect obviate the need to appoint a Designated Carrier to destinations included in such agreements.

Capacity

In the past, most of the aviation agreements to which Israel is a party included a restriction on the maximum frequency that each airline was permitted to offer on the agreed flight routes, in order to ensure equal opportunity for air carriers of the two countries bound by the aviation agreement. As aforesaid, "Open Sky" agreements signed between Israel and the U.S. and between Israel and the E.U. cancel the restrictions that were customary on the number of carriers, frequency, capacity, and types of aircraft in U.S. and E.U. destinations.

Ownership and control of air carrier

There is no unified international arrangement regarding the actual percentage of ownership and control of an air carrier that must be held by the State or its citizens. In bilateral aviation agreements to which the State of Israel is a party, a provision is included whereby each of the contracting states reserves the right to suspend or revoke the permit which was given thereby to the airline of the other state if the "substantial ownership and effective control" is not held by the other state or the citizens of the other state. The agreements do not include definitions of this term.

In the past, the practice in Western countries was to accept the appointment of an airline as a Designated Carrier as if it included a declaration that the requirement for substantial ownership and effective control is fulfilled in practice, and that if it is found that the requirement is no longer fulfilled, then such country will be required to rectify the situation.

The "Open Sky" agreement with the E.U. updated the sections referencing ownership and control, and enables airlines whose ownership and control is in one of the E.U. countries, to operate flights from any E.U. state destination to Israel.



Flight fares

The majority of flight tickets and cargo capacity are sold at special fares which are publicized by the airlines at different terms and conditions and in accordance with the various fares, and each such registration class has different demand and conditions during different times of the year. The Company behaves as is customary in the industry, while adjusting its policy to market conditions and to the status of the War, as detailed in Section 1.2 above. A significant portion of the Company's revenues is derived from sales under such conditions.

Charter flight fares are determined in a different manner than scheduled flight fares. Each organizer is obligated to pay the air carrier for the capacity (the number of seats) it purchased, and it sets the price per seat for itself. Generally, a package price includes the flight and ground arrangements. The air carrier applies to the Civil Aviation Authority's for approval for operation of to operate a flight or a series of charter flights.

8.11.9 Israel's international civil aviation policy

In recent years, "Open Sky", a policy of increasing liberalization in the aviation industry, has been implemented in the State of Israel, aiming to encourage and boost tourism traffic to Israel by increasing the competition between airlines.

For further details pertaining to the "Open Sky" policy, see Section 7.1.9 above.

8.11.10 Special State Share

In 2003, the Company allocated a Special State Share to the State. The rights granted to the holder of the Special State Share are specified in the Company's articles of association, which also specify the vital interests of the State in the Company to be protected by means of the Special State Share. Such vital interests are:

- ✓ Maintaining the existence of the Company as an Israeli company in order for the Israeli law to continue to apply thereto, including legislation which enables the recruitment of equipment for security purposes and emergency legislation, and for it to meet the conditions required to maintain its operating license and aviation rights.
- ✓ Maintaining the possibility to ensure that the operating capacity and the ability to fly passengers and cargo in the Company will not be reduced below the capacity specified in the Company's articles of association, in order to enable the State to effectively use Vital Assets in an emergency or for security purposes, as shall be determined from time to time by the competent functions, as set forth in the Company's articles of association.
- ✓ Preventing entities hostile to the State of Israel, entities which might adversely affect the vital interests of the State or foreign or security affairs of the State or Israel's air relations with foreign countries, or entities which are in or may be in a material conflict of interest which may adversely affect one of the interests specified above, from being an interest holder in the Company or otherwise impacting its management.
- ✓ Fulfilling security arrangements and directives which apply, or will apply by virtue of Government resolutions or under any law in the areas of the security of the flights, passengers, luggage, cargo and mail, in Israel or overseas, including with respect to the Company's operations overseas and the collaboration required from local overseas authorities in the said areas; in the area of security classification of employees and service providers to the Company; and in the area of classified information security and protecting security knowledge.



The holder of the Special State Share is the State of Israel through a minister or ministers. For the sake of maintaining such vital interests, provisions were prescribed in the Company's articles of association on the following subjects:

- ✓ Provisions to maintain the existence of the Company as an Israeli company, including restrictions regarding citizenship, residency and security classification of officers in the Company;
- ✓ Provisions regarding fulfilling security arrangements and directives;
- ✓ Provisions regarding rights in security knowledge and classified information in the Company;
- ✓ Provisions regarding discussions in the Company on security issues;
- ✓ Provisions regarding inspection of the Company's documents and information;
- ✓ Provisions regarding maintaining minimal flight capacity – the Company is not entitled to do certain transactions with its aircraft without the approval of the holder of the Special State Share, if as a result of such transactions the flight capacity of the Company might be reduced to below the threshold determined in the Special State Share (3 wide-body aircraft and 6 narrow-body aircraft).
- ✓ Acquiring influence or status in the Company requires the consent of the State – In accordance with the articles of association of the Company, transactions in certain amounts of the Company's shares will not confer any right vis-a-vis the Company which arises from the holding and/or acquisition of the shares in the Company, without the advanced written consent of the holder of the Special State Share. The articles of association prescribe a detailed arrangement on the manner of submitting a request for approval to hold Company shares, in the event that such approval is required as aforesaid.
- ✓ Provisions regarding obtaining approval to vote in the general assembly – The right to vote in the general assembly requires the approval of the Company as specified in the Company's articles of association. No approval to vote in the general assembly shall be given when the circumstances have been met in which the agreement of the holder of the Special State Share is required, and was not provided. The articles of association even prescribe special provisions in cases in which there is a reasonable concern that the holding of shares in the Company by foreigners will adversely affect the aviation rights of the Company or its operating license.

Any change, including amendment or revocation, in the provisions of the Company's articles of association that pertain to the rights conferred and/or linked to the Special State Share and the holder thereof, shall be void with respect to the Company, its shareholders and any third party, without the advance written consent of the holder of the Special State Share.

For a specification of the rights related to the Special State Share, see Section 8.1 of the Company's articles of association, as recently reported on 19 September 2024 (Ref. 2024-01-604550).

8.11.11 Standardization

The Company's repair station that is reviewed and accredited as a repair station for aircraft by the following civil aviation authorities:

- The Civil Aviation Authority of Israel (CAAI).
- The US Federal Aviation Administration (FAA).
- The European Union Aviation Safety Agency (EASA Line Maintenance).
- The Standards Institution of Israel for quality standard ISO 9001-2015.

- The United Kingdom Civil Aviation Authority (UK CAA).

IOSA

The Company implements and integrates IATA safety standards under the IOSA - IATA Operational Safety Audit program. The program incorporates ICAO requirements and includes safety management system (SMS) standards. IOSA standard is an international airline operations, safety and quality standard, with such certification placing the Company at the top level with the world's airlines on aviation safety and compliance with IOSA audits being a condition for IATA membership.

Internal IOSA audits are carried out regularly by certified surveyors on behalf of the Company, continuously and periodically for a 24-month period, and are examined at the end of the process by IATA. In November 2025, an external IOSA audit of the Company was conducted, ahead of safety standard registration renewal in March 2026.

The Company's assessments as detailed above, regarding the renewal of its safety standard registration, constitute forward-looking information as defined in the Securities Law, which, by their nature, their materialization and the method of their materialization depend, inter alia, on factors beyond the Company's control, including supply chain delays, as well as the materialization of any of the risk factors detailed in Section 8.16 below.

Failure to pass an IOSA audit may lead to loss of the Company's status as a IATA member and, as a result, to the imposition of operational restrictions on the Company. For details about flight safety or security risks, see Section 8.16.13 and 8.16.14 below.

Furthermore, the Company has a "crisis event" scheme, which sets out the procedures and rules to be followed by the Company upon the occurrence of a crisis event. The scheme is built and practiced according to IATA guidelines. From time to time, the Company conducts crisis event drills on a company-wide basis, and also updates its procedures accordingly to lessons drawn from drills, conferences and professional media.

8.11.12 Quality assurance and quality control

The quality policy of the Company's repair station is implemented through the Quality Assurance and Control Division at the Company's Maintenance and Engineering Department. The repair station's activities in terms of the Company's aircraft fleet are supervised by the officer for continuing airworthiness on behalf of the Company, who is responsible for the continuing airworthiness of the Company's aircraft and is also responsible for verifying that inspection and repair actions implemented in the Company's aircraft fleet are carried out in accordance with an orderly maintenance scheme, as released and revised by Boeing, the aircraft maker, and approved by the CAAI.

Further to the prolonged downtime of Boeing 777 aircraft due to the Covid crisis, the Company is expected to complete the overhaul of the last Boeing 777 aircraft in 2026.

The Company's aforesaid estimations regarding the aircraft overhaul date, are forward-looking information as defined in the Securities Law, which naturally, their materialization and method of materialization depend, inter alia, on factors that are beyond the Company's control, including supply chain delays, as well as the materialization of any of the risk factors specified in Section 8.16 below.

8.11.13 Security arrangements

The civil aviation industry is a target for attack by various entities, including terrorist organization around the world. The Company takes special security measures, under the direction of the State body in charge of this issue.

Security arrangements around the world are regulated by international standards pursuant to the Chicago Convention mentioned in Section 8.11.6 above. However, in Israel, by virtue of a

Government resolution, the civil aviation security overseas is entrusted with the Israel Security Agency (Shin Bet) (Government Resolution 411/75). Security arrangements in Israel are determined by the IAA according to the instructions of the Israel Security Agency.

State participation in aviation security expenses

For years, the Company has provided aviation security services to all Israeli airlines on their inbound flights to Israel. Over the years, several government resolutions were made which changed the percentage of the State's participation in the security expenses of the Israeli airlines and determined various conditions for applicability.

On 2 March 2025, a government resolution was adopted, regarding the update of the State's participation rate in the security expenses of Israeli airlines, including the Company and Sundor. Further to the above government resolution, on 3 March 2025, the Company and the State entered into an addendum to the agreements that had been signed between the parties in 2011 and 2013, including the amendments thereto, whereby during the period from 1 January 2025 to 31 December 2031, the rate of the State's participation in the aviation security budget of the Company and Sundor would be reduced, and the rate of the Company's contribution to the costs of the aviation security budget would be increased, as follows (the "Addendum"):

Calendar Year	State Participation Rate ("Participation Rate")	Rate of Company's Contribution to the Costs of the Aviation Security Budget ("Contribution Rate")
2025	95%	5%
2026	94%	6%
2027	93.5%	6.5%
2028	93%	7%
2029 forth	92.5%	7.5%

As of the Report Year, the State Participation Rate was 95%.

The amount of the Company's contribution to the costs of the aviation security budget will not exceed an annual payment cap of \$13 million (as of 2025). Notwithstanding the aforesaid, if the amount of the Company's contribution in any given year exceeds such payment cap, the Participation Rate will be 97.5% and the Contribution Rate will be 2.5%, in relation to the excess costs of the aviation security budget over and above the aviation security budget reflecting the payment cap.

The payment cap will be linked to the Consumer Price Index in Israel. Furthermore, in each of the years 2028 and 2030, the adjusted payment cap will increase by another \$0.5 million (the "Adjusted Payment Cap").

The above Addendum also stipulates the following provisions:

(1) The State, through the relevant functions, and in accordance with any law, shall make efforts to examine efficiency improvement measures with respect to the operation system of the aviation security system; (2) Aviation security services will be provided according to the directives and instructions of the Israel Security Agency or any other body authorized to issue aviation security instructions as specified below; (3) The parties may agree on extension of the term of the agreement until 31 December 2034, subject to a government resolution approving such an extension. In case the agreement is extended, the Adjusted Payment Cap will increase by an additional \$1 million in 2032. In this context, the Company estimates that the additional annual expenditure arising from the said reduction in the rate of the State's participation in expenses in the years of the agreement (between 2025 and 2031) will range from \$5 million to \$10 million per

annum, depending on the materialization of the Company's projected operations, improvement of the efficiency of the security system and the changing macroeconomic environment.

For further details, see the Company's immediate reports of 30 December 2024, 20 January 2025 and 3 March 2025 (Ref. 2024-01-628155, 2025-01-005559 and 2025-01-014109, respectively).

It is clarified that as of this time, the information relating to the amount of the Company's contribution to the costs of the aviation security budget as specified above constitutes forward-looking information, within the meaning thereof in the Securities Law. Such information is based on such forecasts, assessments and estimates as available to the Company as of Shortly Before Approval of the Report. The implementation of the said agreement is based, inter alia, on additional factors and on the occurrence of events that are not within the Company's control, including the risk factors listed in Section 8.16 below.

Due to the impact of Covid and the War on the Company's operations, Ofek made adjustments and changes to its operations in Israel and worldwide (in coordination with the government ministries and relevant bodies), which are examined and updated from time to time according to the situation. It is noted that some of the Ofek personnel are employed by the Ministry of Foreign Affairs.

The table below specifies the direct expenses in the interest of security of the Company's passengers, aircraft and employees, broken down into the Company-funded share and the State-funded share (\$ in millions):

	Y2025	Y2024	Y2023
State funding	198.9	185.7	168.4
The Company's share	9.2	4.7	4.4
Total	208.1	190.4	172.8

Aircraft defense systems

As a subcontractor of ELOP Electro-Optics Industries Ltd. ("ELOP"), the Company installs defense system infrastructure in some of the Company's aircraft ("Flight Guard"), in accordance with an agreement signed on September 30, 2014 between the Company and ELOP, under which the Company will serve as a subcontractor for performing the installation of the defense system on the Company's aircraft and on the aircraft of the other Israeli airlines.

8.11.14 Operation in emergencies and for essential purposes

The Work Service during Emergencies Law, 5727-1967 vests the Minister of Labor in consultation with the Minister of Defense, and in times of war – the Minister of Defense in consultation with the Minister of Labor and Welfare, with the power to certify an enterprise as an "essential enterprise", i.e., operate Israeli airlines, including the Company, for national defense or public security purposes or for upholding essential services or supplies. The Company is certified as an "essential enterprise", which certification is valid through 31 December 2026.

The Work Service during Emergencies Law, 5727-1967 grants the Minister of Labor and Welfare, after certification of the Company as an "essential enterprise", the power to call on all of employees, by means of an order, for essential work service.

The Israel Defense Forces Equipment Registration and Mobilization Law, 5747-1987, grants the Minister of Defense, if he is convinced that State security so warrants, the power to declare, by order, the need to mobilize equipment (including aircraft). The law refers to equipment that will be available to the Company during an emergency. The law requires the State to pay usage fees

for the equipment mobilized, and if damage is caused to equipment during mobilization – also compensation for the damage.

On 17 November 2004, The Government-Owned Companies Order (Declaration of Vital Interest of the State in EL AL Israel Airlines Ltd.), 5765-2004 (the "**Government-Owned Companies Order**"), was released by virtue of Chapter H2 to the Government-Owned Companies Law. The Order stipulates that the State has a vital interest in relation to Company, in order to allow for effective use of vital assets during times of emergency or for security purposes in order to ensure the continuation of activities that are vital to national security. Accordingly, the Order determines that the Company shall at all times employ Israeli air crew members, and Israeli ground crew members in Israel, who are duly qualified and licensed to operate the "Vital Assets" (minimum aircraft fleet; see "Special State Share"), in the number required for the continuous and simultaneous operation of all "vital assets" during times of emergency or for security purposes. The Order adds that it does not apply the provisions of Section 59I of the Government-Owned Companies Law (concerning restrictions on the transfer of control) to the Company, and nothing in the Order shall derogate from the provisions of the Special State Share.

The Control of Goods and Services Law, 5718-1957, confers on such minister as authorized by the Government for this purpose the power to issue a "personal order" or a "general order" to take, inter alia, "vital action" for national defense, public security, or for upholding regular services or supplies. Such action includes, inter alia, the duty to operate an enterprise or perform any controllable service.

8.12 Material Agreements

Procurement of 787 aircraft

As detailed in Section 8.12 of the 2022 periodic report, as part of the consummation of the procurement transaction (the "**Procurement Transaction**"), the Company engaged in purchase, lease, and financing agreements for Boeing 787-8 and 787-9 Dreamliner aircraft, as well as agreements for the purchase of engines and receipt of engine maintenance services.

As of Shortly Before Approval of the Report, and as part of the Procurement Transaction, the Company operates 12 Boeing 787-9 Dreamliner aircraft (four of which are owned and eight are under Dry Lease), and 4 Boeing 787-8 Dreamliner aircraft (all of which are owned). In addition, in December 2022, the Company signed an agreement with Boeing for the purchase of the 17th aircraft, which was delivered to the Company in Q2/2025, and as of the Report Date, the Company operates 17 Boeing 787 Dreamliner aircraft. Regarding the signing of agreements for the financing of the said aircraft, see Note 14.E. below.

After the exercise of the option to lease two additional 787-9 aircraft by dry lease (the "**18th Aircraft**" and the "**19th Aircraft**"), such aircraft are expected to be delivered in 2026-2027. For further details, see Section A3.2 of the Board Report and Notes 10 and 11 to the Financial Statements.

In April 2024, the Company signed an agreement with aircraft manufacturer Boeing for the purchase of three additional Boeing 787-9 aircraft ("**Aircraft 20-22**"), which are expected to be delivered in 2029-2030, with an option for up to six additional Boeing 787-9 aircraft, their delivery date depending on the exercise of any option (in this section: the "**Option Aircraft**"), if exercised, and on the availability of aircraft from Boeing. Furthermore, the Company was granted conversion rights for Aircraft 20-22 and the Option Aircraft into a different Boeing aircraft model. For further details, see the Company's immediate reports released on 21 March 2024 and 24 April 2024 (Ref: 2024-01-03327 and 2024-01-040519) and Note 10 to the Financial Statements.

Procurement of 737 MAX aircraft

On 14 August 2024, the Company signed an agreement with aircraft manufacturer Boeing for the purchase of 20 Boeing 737 MAX aircraft, and was granted an option to purchase up to 11 additional aircraft of this model. Some of the aircraft will gradually replace existing Boeing 737 aircraft currently operated by the Company, while others will serve to expand the Company's narrow-body fleet. The purchased aircraft are expected to be delivered to the Company between 2028



and 2031. The option aircraft, if purchased, are expected to be delivered between 2030 and 2032, depending on the exercise of the option for any of the option aircraft. For further details, see the immediate report of 15 August 2024 (Ref.: 2024-01-087736) and Note 10 to the Financial Statements.

The Company's aforesaid estimation, including with respect to the delivery dates of the future aircraft constitutes forward-looking information as defined in the Securities Law, which is based on the Company's current estimations and Boeing's compliance with its obligations under the agreements, as well as obtaining of the financing required for acquisition of such aircraft by the Company. Non-actualization of such estimations may cause non-materialization or partial materialization of the aforesaid information, including if and insofar as any of the risk factors that apply to the Company as specified in Section 8.16 below occur.

Aircraft acquisition financing agreements

For details with respect to material financing agreements, see Note 14 to the Financial Statements.

Lease of 787 aircraft

For details with respect to lease arrangements, see Note 11 to the Financial Statements.

Rolls Royce engines for 787 aircraft

In February 2016, the Company and the engine manufacturer Rolls Royce signed an agreement for the procurement of replacement engines, an agreement for benefits pertaining to the procurement of TRENT-1000 TEN ("TEN Engines") to be installed in Company-owned aircraft and leased aircraft, and an agreement for maintenance of the engines.

In 2017, Rolls Royce apprised the Company of regulatory restrictions pertaining to Ten Engines engine parts that will require earlier replacement than planned. Rolls Royce and the Company have formulated an ongoing plan for replacement of the engine parts in Rolls Royce's facilities, which plan is implemented on a current basis and is expected to continue in upcoming years (the "Replacement Plan"). Under the Replacement Plan, Rolls Royce supplies the Company, from time to time, with TEN Engines that substitute for the Company's engines, in support of the Replacement Plan. At the same time, Rolls Royalties has acted to improve TEN Engines so as to allow for mitigation of the above restrictions and consequently reduce the scope of the Replacement Plan such that the frequency of removal of engines requiring part replacement at Rolls Royce's facilities be reduced (the "Improvement Outline"). The Improvement Outline that Rolls Royce had presented, was revised and postponed from time to time, where, starting from the Report Year, Rolls Royce commenced with the implementation of the Improvement Outline and completion thereof is expected by the end of 2027.

In view of the foregoing, the Company continues to encounter operational and commercial difficulties in its current operations as pertaining to TEN Engines in consequence of the said restrictions and the implementation of the Replacement Plan, in view of the postponement of the implementation of the Improvement Outline, the global unavailability of Ten Engines and delays with Rolls Royce in the implementation of the Replacement Plan. This exposes the Company to aircraft downtime risks, in the absence of available TEN Engines. The Company is working on an ongoing basis vis-à-vis Rolls Royce to minimize the exposure as well as through the acquisition of additional spare engines of this model.

The Company's aforesaid estimations, including with respect to the aforesaid Replacement Plan and Improvement Outline, constitute forward-looking information, as defined in the Securities Law, and may vary due to dependence on findings that will possibly be discovered in the inspection of parts that require replacement, market availability of the parts that require replacement, availability of Rolls Royce facilities for part replacement (slots) and directives and instructions by Rolls Royce and aviation safety authorities around the world, if any. Non-materialization of such estimations may lead to the aforesaid information not materializing or

partly materializing, inter alia, in case of materialization of any of the risk factors that apply to the Company as listed in Section 8.16 below.

Logistic support agreement

In May 2017, the Company signed an agreement with a foreign company to receive logistical support services for 787 aircraft which it purchased and leased as a part of the procurement transaction. For details about the said agreement, see the immediate report released by the Company on 16 May 2017 (Ref. 2017-01-049371). In the Report Year, the Company signed an addendum to the said agreement for the receipt of such service for the Boeing 737 aircraft fleet operated by the Company, as well as for the 737 MAX aircraft expected to be received by the Company.

Engagement in agreements with credit card companies

For details regarding the agreements with the credit card companies, see Section 7.6.3 above.

General

In addition to the agreements into which the Company has entered as specified above, the Company has aircraft charter agreements (see Notes 10 and 11 to the Financial Statements), land use and lease agreements (see Section 8.1 above), insurance agreements (see Section 8.2 above), agreements with respect to employees and their rights (see Section 8.4 above), an agreement with the State on the State's participation in security expenses (see Section 8.11.12 above), an agreement concerning the prepayment of flight tickets for transport of aviation security personnel (see Note 13 to the Financial Statements) and various agreements with airlines (see Section 8.13 below). The Company also has an indemnification and insurance obligation to officers of the Company. For details, see Section 29A of the Additional Details on the Corporation's Business chapter).

8.13 Collaboration Agreements

The Company has interline agreements with other airlines that enable scheduled-flight passengers, subject to certain restrictions, to use flight tickets that were issued by one airline to receive services from another airline (mostly combining flights of both contracting parties), as well as codeshare agreements that allow an air carrier to market the flights of another air carrier as if the flights were its own. Furthermore, the Company has loyalty program collaborations. It is noted that the scale of implementation of the agreements refers to times of normal operations, and given the outbreak of the War, as specified in Section 1.2 above, and the geopolitical situation in Russia and Ukraine, the airlines' activity under some of these agreements has been reduced or suspended.

The following table lists the collaboration agreements signed and/or revised in the Report Year until Shortly Before Approval of the Report:

Name of Airline	Type of Agreement	Concise Description of the Agreement
Azerbaijan Airlines	Codeshare	The agreement provides EL AL with the ability to market seats on Azerbaijan Airlines flights on the Baku route.
TAROM	Codeshare	The agreement provides each airline with the ability to market seats on the other carrier's flights on the Bucharest route, and provides the option to book flights to additional connecting destinations in Romania, Serbia, and Moldova.
Aeromexico	Codeshare and frequent flyer program collaboration	The agreement provides the Company's customers with the ability to purchase an integrated ticket, under the Company's code, to Mexico via the Company's destinations in Europe and North America. The agreement also allows Aeromexico to sell the Company's flights, under its code, in the same manner.



		Additionally, a frequent flyer program collaboration agreement is in place between the companies, allowing for mutual earning of points on specific routes for the frequent flyer members of both airlines.
Scandinavian Airlines	Codeshare	The agreement provides the Company's customers with the ability to purchase an integrated ticket under the Company's code to Oslo (Norway), Stockholm (Sweden), and Copenhagen (Denmark) via connecting flights from a variety of EL AL's European destinations, and vice versa. Furthermore, the agreement provides the Company's customers with the ability to purchase an integrated ticket under the Company's code for direct flights to Copenhagen (Denmark).

The following table lists the additional codeshare agreements to which the Company is a party and which are in effect Shortly Before Approval of the Report:

<u>Name of Airline</u>	<u>Type of Agreement</u>	<u>Concise Description of the Agreement</u>
KLM	Codeshare and frequent flyer program collaboration	The agreement provides each airline with the ability to market seats on the other airline's flights on the Israel-Amsterdam route. There is also a frequent flyer program agreement via the Flying Blue loyalty program shared by KLM and Air France. This agreement allows mutual accrual and redemption of rewards for the airlines' frequent flyer program customers.
Air France	Codeshare and frequent flyer program collaboration	The agreement provides each airline with the ability to market seats on the other airline's flights through various routes in France. There is also a frequent flyer program agreement via the Flying Blue loyalty program shared by KLM and Air France. This agreement allows mutual accrual and redemption of rewards for the airlines' frequent flyer program customers.
Virgin Atlantic	Codeshare and frequent flyer program collaboration	The agreement provides each airline with the ability to market seats on the other airline's flights on the route to London, and in addition, the frequent flyer program agreement allows mutual accrual and redemption of rewards for frequent flyer program customers of both airlines.
Delta Airlines	Codeshare and frequent flyer program collaboration	Each airline has the ability to market seats on the other airline's flights through various routes to North America and within the American continent, in both directions. In addition, the frequent flyer program agreement allows mutual accrual and redemption of rewards by frequent flyer program customers of both airlines.
All Nippon Airways	Codeshare	The agreement allows the Company's customers to buy combined tickets under the Company's designator from Tokyo to subsequent destinations within Japan and from Tokyo to Bangkok and allows All Nippon Airways customers to buy flight tickets under All Nippon Airways' designator on the Tokyo-Tel Aviv route. As of Shortly Before Approval of the Report, the agreement has not yet been implemented.
Etihad Airways	Codeshare and frequent flyer program collaboration	The agreement allows the Company's customers to buy combined tickets under the Company's designator from Tel Aviv to Abu Dhabi and to various subsequent destinations in Australia and in Asia. In addition, the frequent flyer program collaboration



		agreement allows mutual point accrual and reward redemption for frequent flyer program customers of both airlines.
Royal Air Maroc	Codeshare	The agreement allows the Company's customers to buy combined tickets under the Company's designator from Tel Aviv to Casablanca. Furthermore, the agreement allows Royal Air Maroc to sell flight tickets under its own designator to Company's flights on the Tel Aviv-Marrakesh or Casablanca routes, and, in the future, to subsequent Company destinations from Tel Aviv. Due to the War, both airlines' flight operations to Morocco have been suspended, in the context of which, As of Shortly Before Approval of the Report, the collaboration agreement is not implemented
LOT Airlines	Codeshare	The agreement allows customers of both airlines to buy tickets under the Company's designator to various destinations in Poland and the Baltic states, including on direct routes between Israel and Poland.
Vietnam Airlines	Codeshare	The agreement allows the Company's customers to buy combined tickets under the Company's designator to destinations in Vietnam (Hanoi and Ho Chi Minh City) via Bangkok (Thailand). Furthermore, the agreement allows Vietnam Airlines to sell flight tickets under its own designator to EL AL flights from Bangkok (Thailand) to Tel Aviv.
Hong Kong Airlines	Codeshare	The agreement allows the Company's customers to buy combined tickets under the Company's designator to Seoul and Japan via Hong Kong. Furthermore, the agreement allows Hong Kong Airlines to sell flight tickets under its own designator to EL AL flights from Hong Kong to Tel Aviv. Upon outbreak of the Covid Pandemic, the Company's flight operations to Hong Kong were suspended, and As of Shortly Before Approval of the Report, the agreement is not implemented.
Bangkok Airways	Codeshare	The agreement allows the Company's customers to buy flight tickets under the Company's designator to Laos, Cambodia, Vietnam and various domestic destinations within Thailand.
TAP Air Portugal	Codeshare	The agreement allows the Company's customers to buy flight tickets under the Company's designator to Lisbon, also via the Company's destinations in Europe, and to buy flight tickets under the Company's designator to subsequent destinations in Brazil via Lisbon. In addition, the agreement allows TAP to sell tickets under its own designator to the Company's flights from Lisbon to Tel Aviv.
Qantas Airways	Codeshare and frequent flyer program agreement	The agreement allows the Company's customers to buy combined tickets under the Company's designator to Australia via the Company's destinations in the Far East. In addition, a frequent flyer program collaboration agreement provides the airlines' customers with point accrual and a redemption ability on a mutual basis for customers of both airlines. The codeshare and frequent flyer collaboration agreements are mutual.
Aerolíneas Argentinas	Codeshare	The agreement allows the Company's customers to buy combined tickets under the Company's designator to Buenos Aires via the Company's destinations in Spain, Italy and the United States. The agreement also allows Aerolíneas Argentinas to sell Company flight tickets under its own designator.
Ethiopian Airlines	Codeshare	The agreement allows the Company to sell flight tickets under the Company's designator to Addis Ababa and sell combined flight tickets under an interline agreement to dozens of destinations in Africa via Addis Ababa.



Thai Airways	Codeshare	The agreement allows the Company's customers to buy combined flight tickets under the Company's designator to transit destinations to Australia, Vietnam and domestic Thai destinations. Furthermore, the agreement allows Thai Airways to sell Company flight tickets under Thai Airways' designator.
S7 Airlines (Siberia Airlines)	Codeshare	The agreement allows customers of both airlines to buy combined flight tickets under the Company's designator (S7 or LY) to 13 additional subsequent destinations in Russia via Moscow, in addition to 14 subsequent destinations in Russia. As of Shortly Before Approval of the Report, the agreement is not implemented.
Air China	Codeshare	The agreement allows the Company's customers to buy combined flight tickets under the Company's designator to 4 subsequent destinations in China (Hangzhou, Shanghai, Nanjing and Chengdu) via Beijing. Upon the outbreak of the Covid Pandemic, the Company's flight operations to China were suspended, and As of Shortly Before Approval of the Report, the agreement is not implemented.
Iberia Airlines	Codeshare	The agreement allows each airline to sell flight tickets under its own designator to flights operated by the other airline on the Tel Aviv-Madrid and Madrid-Barcelona routes and allows the Company's customers to buy combined tickets, under the Company's designator, to subsequent destinations in Latin America through Madrid.

The following table lists the collaboration agreements that came to an end in the Report Year:

<u>Name of Airline</u>	<u>Type of Agreement</u>	<u>Concise Description of the Agreement</u>
JetBlue Airways	Codeshare	The agreement allowed the Company's customers to buy combined tickets under the Company's designator to dozens of other central destinations in North America, connecting via the Company's direct destinations.

The Company's estimations as specified above, including with respect to the times and manners of implementation of the agreements as specified above constitute forward-looking information within the meaning thereof in the Securities Law. Such forward-looking information does not constitute an established fact and it is based on the information held by the Company and on its estimations to the best of its judgment as of Shortly Before Approval of the Report. The consummation and implementation of the said agreements are contingent, inter alia, upon additional factors and upon the occurrence of events that are not within the Company's control, including the risk factors specified in Section 8.16 below.

The Company's customers also earn FFP points for connecting flights taken under some of the codeshare agreements. The Company also has various operating agreements with various airlines, which include, inter alia, technical operating arrangements, charter arrangements, aircraft maintenance and spare parts agreements, mutual assistance in emergencies, supply of aviation equipment, etc. The Company also has agreements with airlines regarding passengers' access to airport lounges, collaboration on frequent-flyer programs, settlement of accounts in respect of use of connecting flights, reservation booking and transport agreements (passengers or cargo).



8.14 Legal Proceedings

For details, see Note 16 to the Financial Statements.

8.15 Targets and Business Strategy – Rising Above & Beyond

Vision and values

EL AL's Vision

To be the bridge that connects
the spirit of Israel with the world



Excellence and Israeli Pride

We will encourage and nurture Israeli pride and excellence in our ongoing operations



Personally Attentive and Sympathetic Care

We will provide our passengers and employees with personally attentive and Sympathetic Care



Progress and Technological Innovation

We will strive to be at the forefront of aviation technology for the safety and comfort of our passengers our passengers' safety and convenience



Safety and Security

We will ensure the safety and security of our passengers and employees



Representing Israel

We will showcase Israel's strengths and beauty in every interaction and wherever we go



Service and Flight Experience

We will deliver a top-notch pleasant flight experience with Israeli spirit



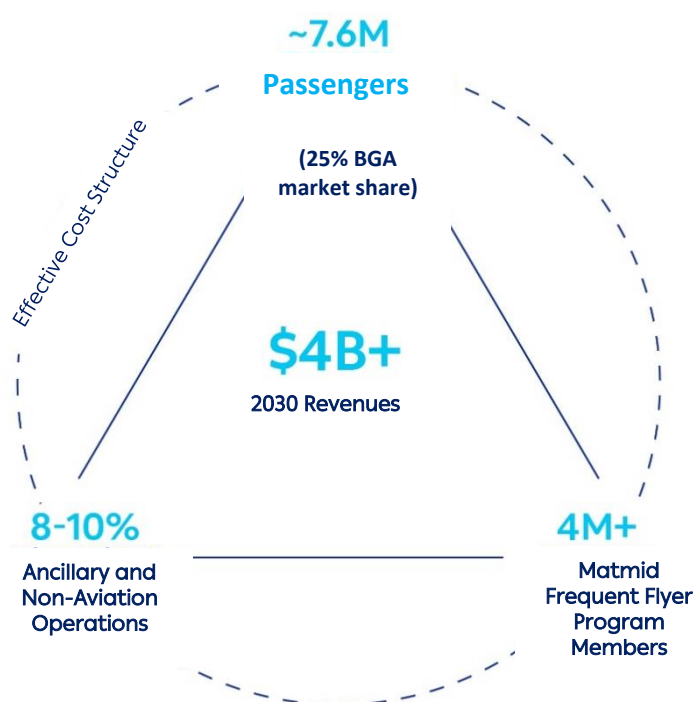
Business strategy

In Q1/2025, the Company's Board approved an update to the Company's strategic plan and business plan extending it until 2030, in view of supply chain delays in the global aviation market and given geopolitical shifts in Israel and the world and adjustment thereof to the changing economic reality, which affect the global aviation market and the Group in particular (the "Updated Strategic Plan").

It is emphasized that the Updated Strategic Plan was based, inter alia, on the business developments in the Report Year, including the financial strength of the Company, enhancement of the FFP operations, and strategic collaboration agreements. The principal updates will be presented below.

For details with respect to the strategic plan as approved by the Board of the Company in 2023, see Section 8.15 of the Description of the Corporation's Business chapter in the Company's 2024 Periodic Report. Below is a specification regarding the actions taken by the Company for the purpose of implementation of the Company's strategic plan in the Report Year.

The principal quantitative targets as determined in the strategic plan for 2030 as follows:



The seat capacity at Ben Gurion Airport is expected to gradually return to pre-Covid levels, however, the recovery rate is low compared to global averages, and in 2026 the Company also intends to **increase** the number of destinations, the route network, and the seat capacity for its customers.

Expansion and renewal of the aircraft fleet:

Wide-body:

In the Report Year, the 17th Dreamliner aircraft was received. An additional Dreamliner is expected to arrive during 2026. Furthermore, in addition to the three Boeing 777 aircraft that have undergone re-configuration, two additional Boeing 777 aircraft are expected to complete the re-configuration process during 2026. The Company anticipates that by the end of Q1/2027, all Boeing 777 aircraft in its possession will feature an upgraded interior configuration. For further details regarding the Company's aircraft fleet, see Note 10 to the Financial Statements.

Narrow-body:

Shortly Before Approval of the Report, the Company received a Boeing 737 aircraft purchased from a foreign company, while the Company intends to induct an additional Boeing 737 aircraft from the same foreign company during 2026. Furthermore, the Company intends to expand the aircraft fleet under wet lease to six active aircraft during 2026.

New destinations and optimization of the route network:

Shortly Before Approval of the Report, the Company launched flights to new destinations: Hanoi (Vietnam), Manila (Philippines), and Seoul (South Korea). Furthermore, new destinations were launched for Sundor, including Salzburg (Austria), Naples, Sicily, and Sardinia (Italy), Varna and Burgas (Bulgaria), Dubrovnik (Croatia) and Basel (Switzerland).

In addition, the Company increased the frequency of flights to a number of existing destinations including New York (USA), Bangkok (Thailand), and Tokyo (Japan).

Expansion of Collaborations:

For details on collaboration agreements signed by the Company during the Report Year, see Section 8.13 above.

Distribution channels and growth in the sales share of digital channels:

Ongoing growth in sales volume via digital channels, where in the Report Year, the Company's sales share via digital channels accounted for ~43% of its total sales, with the Company's target to achieve a 50% sales volume through digital channels by 2030.

Customer experience upgrade:

During the Report Year, the Company acted to upgrade the digital and physical customer experience, both on the ground and in the air, and undertook, *inter alia*, the following actions:

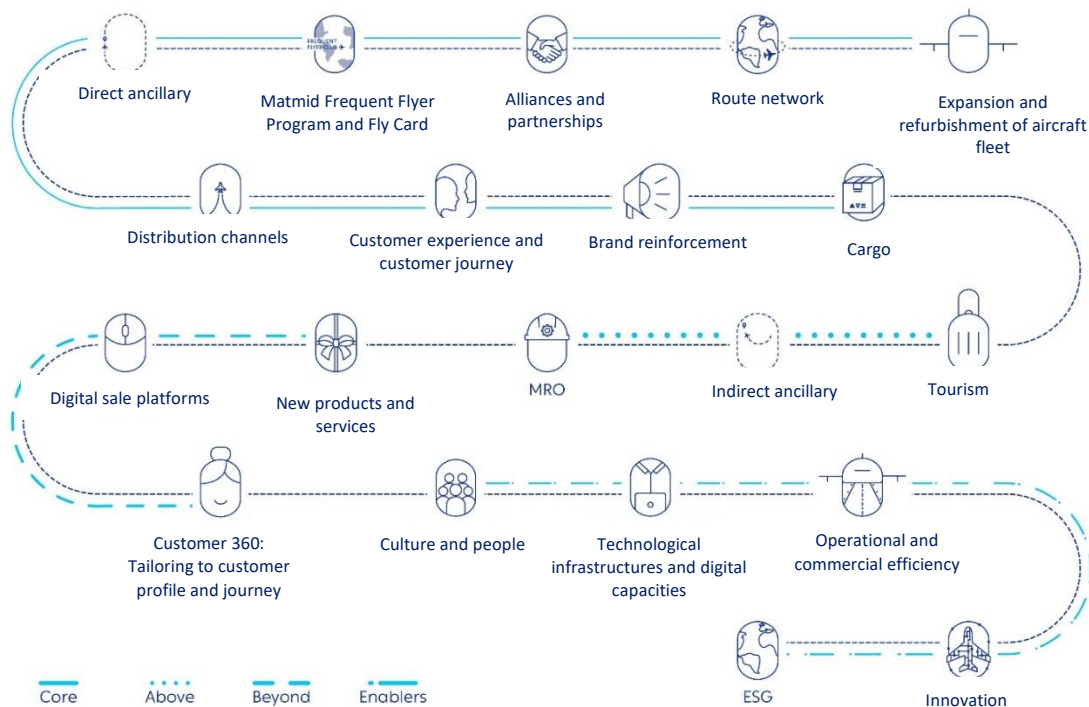
- **Digital Experience:** The Company expanded the customer's options to perform actions through digital channels, including options to cancel or change flight tickets purchased via digital channels or through call centers.
- **Targeting younger audiences:** The Group launched an in-app extension, "EL AL YOUNG", tailored for children and youth, aimed at providing a solution and a focused value proposition for the younger target audience.
- **Lounges:** The Company has upgraded the King David Lounge in Terminal 3 in BGA, and during Q1/2026 another upgrade will be carried out at the TOP status customers area. The Company has also engaged in new lounge agreements, including at JFK Airport in New York.
- **Flight check-in and boarding process:** The Company has expanded the option of using self-service check-in stations at both BGA and at the Company's stations in New York and Paris.



Culture and people:

In the Report Year, despite the ongoing War, organizational routine, stable work relations, and the Company's continued support for the community and employees was maintained. For details on the actions the Company has taken to support the community, see Section 8.10.2 above

A roadmap under the Updated Strategic Plan, including all the plan's components, is presented below:



For details about collaboration agreements signed by the Company in the Report Year and until Shortly Before Approval of the Report, see Section 8.13 above.

For details about bolstering and expansion of the route network in the Report Year and until Shortly Before Approval of the Report, see Section 7.2 above.

For details about implementation of the Company's ESG strategy in the Report Year and until Shortly Before Approval of the Report, see Section 8.10 above.

The method of implementation of the Updated Strategic Plan, as well as the Company's assessments regarding the expected dates for the receipt of additional aircraft and the Company's accomplishment of the strategic goals, constitute forward-looking information as defined in the Securities Law, which is based on the Company's assumptions, assessments and forecasts or intentions in relation to its business environment, which may change, in whole or in part, from time to time, thus affecting the possibility and method of implementation thereof. Therefore, actual results may, in whole or in part, not materialize as stated, only partially materialize, or materially differ from the results assessed, derived or implied by this information, inter alia, as a result of dependence on third parties and due to the reasons listed below.

Implementation of the strategic goals and the projected development in the coming years may be affected by a large number of factors, inter alia, as a result of changes in the geopolitical, economic and security situation in the region, which may affect both the ability to operate flights to specific destinations and the prices of jet fuel which constitutes a material component of the

Company's expenses. Furthermore, implementation of the strategic goals and the projected development in the coming years may be contingent on third parties, competition and the Company's competitors as well as on the existence of adequate financial sources for execution of development and equipment procurement decisions. In addition, regulatory directives, the maintenance of proper work relations in the Company, intensification of the competition and actions in the route network and in the aircraft fleet and the materialization of any of the risk factors applicable to the Company as specified in Section 8.16 below, may affect the ability to accomplish the strategic goals and the projected development in the coming years.

8.16 Discussion of Risk Factors

Like other airlines, the Company's operations are affected by external and internal factors that may cause the realization of various risks that may affect the Company's operations, and therefore also cause material (positive or negative) changes to its profitability.

As part of the implementation of a comprehensive risk management process (ERM – Enterprise Risk Management) per the instruction of the Board, in 2024 the Company formulated a corporate risk map, which is being updated from time to time, according to which the Company operates, while assessing their potential effect on the Company and its operations and risk level rating.

The risk management committee on behalf of the Company's Board is in charge of the management of all risks in the Company. In the Report Year, the General Counsel was appointed as integrator of risk management at the Company.

Risk level ratings were conducted based on organizational assessment scales that were formulated by the Company's management and which address the expected damage upon materialization of the risk and the likelihood of its occurrence, all in view of the exposure mitigation measures taken by the Company in response to the risk scenario and the control environment implemented by the Company. Starting from this report, the risk level rating was performed according to a scale with five severity levels: minor, minor-moderate, moderate, moderate-major, major. Such classification enables optimization of the identification, assessment, discussion and mitigation measures carried out by the Company.

In the Report Year, the Company established and acted upon designated corporate heat maps, in view of Operation Rising Lion and the transition period of the Company's CEO substitution.

Details of the primary risk factors that have been mapped by the Company are presented below:

Macro Risks

8.16.1 Political, geopolitical, security-related events or terrorism

Political or security-related events or terrorist attacks in the world or in the region have an immediate adverse effect on the demand for passenger and cargo transport and affect jet fuel prices and the Company's economic position and scope of operations. The risk is that the Company's revenues, current flight operations, and more, will be impaired as a result of security-related, geopolitical events in Israel or in the destination country. Also, security risks may lead to the cancellation of the mandatory war and terrorism insurance coverage and create dependence on the State's coverage and difficulties vis-à-vis aircraft stakeholders. It is emphasized that since and following the outbreak of the War, the Company experiences a rise in threats to its operations and is required to make commercial and operational adjustments, which include, *inter alia*, additional costs and resources.

Furthermore, and throughout the Report Year, the Company has had to adapt the profile of its operations to the changing business reality, which has led, *inter alia*, to increased operational and commercial risk levels. In addition, the War has brought about increased uncertainty as compared with normal times, and difficulty in predicting market demand, competition and the interrelations between them. As a result, the Company incurs additional costs which are related, *inter alia*, to longer flight routes, security expenses, production capacity restrictions, etc. Moreover, in view of the War, the Company has received notices from insurers that participate in its aviation



insurance regarding their intention to exclude the State of Israel from the scope of the Company's aviation insurance. Aiming to ensure the continuity of insurance coverage required for ongoing aviation operations, the State, at the Company's request, issued supplementary policies for the canceled aviation insurance through Inbal Insurance Company Ltd. As of Shortly Before Approval of the Report, the aforesaid exclusion has been removed. For further details regarding the exclusion and its removal, see Section 8.2 above.

In 2024, the Company's Board approved a business continuity policy (BCP). Furthermore, an internal steering committee was appointed for this purpose and the resources required have been allocated by the Company, including the appointment of a business continuity officer.

8.16.2 Exposure to currency risks

Most of the Company's revenues and expenses are in or linked to foreign currency (mainly Dollar). The Company is exposed to an increase in the value of the shekel in relation to the Dollar mainly in connection with the current payroll expenses, other operating expenses denominated in Shekels, as well as in respect of balance-sheet liabilities, chiefly in respect of liabilities to employees. Appreciation of the shekel against the Dollar increases the Company's current expenses in Dollar terms and also increases (without affecting the cash flow) the Company's employment termination liabilities in Dollar terms.

The Company is exposed to additional currencies, but this exposure does not generate significant risk owing to its relatively low scale and because of the partial natural internal hedging against it (setoff between proceeds and payments in the same currencies). In recent years, the Company has taken several balloon loans in JPY in the context of the procurement of 787 aircraft. The Company hedged against some of the currency risks deriving from the projected payments in repayment of such loans in 2029-2032.

For details about the Company's policy on exposure to currency risks, see Section B of the Board Report and Note 19 to the Financial Statements.

8.16.3 Changes in the economic situation

The airline and tourism industries are sensitive to changes in economic activity that affect the demand for passenger and cargo transport. The expenditure structure of the airline industry, which includes a large component of fixed expenses, makes it difficult to implement processes of adjustment of the Company's supply to changes in demand in the short term. During times of slowdown in economic activity for various reasons, the demand for air transport decreases, excess capacity is created, and employees and flight equipment are not fully utilized. As a result, the Company's economic position may possibly suffer a negative effect reflected in its business results.

Against the backdrop of events in the macroeconomic environment in recent years, including the Covid crisis and its aftermath, as well as the challenges of war in a changing and unpredictable geopolitical environment, the Company has gained experience in managing significant events through operational, commercial, and financial adjustments, which enables it to effectively handle similar challenges and future contingencies, should they occur.

In Y2024 and due to the endurance of the War, the rating agencies Moody's, S&P and Fitch released reports regarding the downgrade of Israel's credit rating. During In 2025 and January 2026, the rating agencies P&S and Moody's, respectively, announced the upgrade of Israel's credit rating outlook from "negative" to "stable".

Furthermore, despite the aforementioned rating downgrade in Y2024, the macroeconomic parameters in Israel in the Report Year have strengthened, including the strengthening of the Shekel against the Dollar and against other world currencies. Insofar as such rating downgrades and/or additional macroeconomic events materially affect the macroeconomic situation in Israel, this may have an indirect effect on the aviation market in Israel in general, and on the Company in particular.



8.16.4 Natural forces and other extreme events

External factors, such as natural disasters, fires and earthquakes, pandemics, and the like, may interrupt the continuity of the Company's operations. Furthermore, pandemic outbreaks and natural disasters have a material negative effect on passenger traffic to the disaster-stricken areas and may therefore have a material negative effect on the Company's business results as well. For details of the environment and climate risks to which the Company is exposed, see Section 8.16.12 below.

8.16.5 Exposure to variable interest rates

The Company funds most of its investments by means of long-term credit from financial corporations. Most of the Company's loans are in Dollars and most of its deposits are in Dollars and Shekels. Some of the Company's loans carry a variable interest rate, and thus changes in interest rates may affect the Company's financing expenses and cash flow. To reduce the exposure to this risk factor, some of the loans that have been taken by the Company carry a fixed interest rate. Furthermore, the Company uses interest hedging for some of its loans by means of financial derivatives to reduce the exposure. For details about measures taken by the Company to hedge against the exposure to varying interest rates, see Section B of the Board Report and Note 19.F to the Financial Statements.

8.16.6 Exposure to international sanctions and trade restrictions

Operations in the international aviation industry are affected by sanctions regimes and trade restrictions imposed from time to time by countries and international bodies, which may impact the Company's activities. These sanctions regimes are characterized by their dynamic nature and frequent updates to the scope of the restrictions, their manner of implementation, and conditions, thereby increasing the regulatory and operational uncertainty within the Company's operating environment. In view of the Russia-Ukraine war, significant economic sanctions have been imposed on entities and companies in Russia, as well as ban on maintaining relations with such entities. Consequently, the Company has been required to review and adjust its ongoing conduct within the framework of its ongoing engagements, and to implement enhanced control and risk management measures to ensure compliance with the relevant legal requirements. As of Shortly Before Approval of the Report, the Company is regularly monitoring regulatory developments and examining their implications for its operations. The Company is making necessary adjustments to reduce exposure to such risks.

8.16.7 Cyber threats, harm to information systems and databases

In general, cyber threats constitute a risk factor for the Company's operational continuity, inter alia, due to ideologically motivated cyber attacks (Hacktivism). Since the outbreak of the War, there has been an escalation in the number and sophistication of cyber attacks against national infrastructure and strategic companies in Israel. The Company has identified a significant increase in the intensity, frequency, and sophistication of attempted cyber attacks against it motivated by political and ideological reasons. The Company maintains a supervisory and control system on the subject, which includes a supreme steering committee on information and cyber security headed by the CEO, with ongoing supervision by the Board over the implementation of the Company's information and cyber security policy, for the purpose of synchronizing business goals with cyber security.

The Chief Information Security Officer (CISO) and cyber protection is responsible for outlining the policy, defense concept, managing risks and implementing cross-organizational controls and reporting to the CIO. Such framework includes a supreme steering committee chaired by the CEO, an information security and privacy protection steering committee chaired by the CIO, and ongoing oversight by the Board of Directors, which receives ongoing reports on the state of preparedness and additional required updates.

The Company is in the midst of a digital transformation process, and as part of its risk reduction strategy, the Company has accelerated the replacement of older systems that are at the end of their life cycle (End-of-Life / Support). The Company's international deployment requires 24/7

system availability, therefore, significant resources have been invested in creating high technological redundancy.

The Company recognizes and is preparing for the increasing use of AI in cyber security, including the implementation of proactive monitoring and protection tools that learn network behavior and identify irregularities in real time. The Company has also adopted an AI policy that establishes, *inter alia*, usage procedures to prevent the leakage of organizational information through public AI platforms.

The Company's use of global systems requires strict risk management with external suppliers. The Company performs controlled penetration tests, periodic risk surveys, due diligence, and examination of compliance with international standards, while establishing security and reporting obligations in its contracts.

The Company also continues to invest in technology to prevent information leakage and conducts a wide training system for raising employee awareness. During 2025, as part of its practical preparedness, the Company conducted crisis management exercises in collaboration with external cyber experts, alongside a management exercise for transitioning to backup sites as part of its recovery preparedness. Moreover, the Company updates from time to time its Business Continuity Plans (BCP) in order to address extreme scenarios involving impacts on material suppliers and maintain its operational continuity.

Industry Risks

8.16.8 Jet fuel prices and supply

Jet fuel constitutes a material component of the operating expenses of the Company. Jet fuel prices are subject to frequent changes, *inter alia*, depending on fluctuations in global oil supply, at times also against the backdrop of global geopolitical events. The Company's profitability may be significantly affected by a change or material fluctuations in jet fuel prices, and accordingly the Company occasionally takes measures to hedge the price of some of its projected jet fuel consumption according to its hedging policy, which is approved once a year by the Company's Board (following recommendation by the risk management committee). For further details, see Section 8.5.1 above. For details about the hedging policy and the actions taken by the Company to hedge against a change in fuel prices, see Section B of the Board Report and Note 19 to the Financial Statements.

In addition, jet fuel constitutes a material factor for the purpose of operating the flights and therefore its supply to the Company is critical for the operation of its business activity in a manner such that delays in this process can lead to a significant impairment in the Company's business activity and results. In this context, and for the purpose of mitigating the risk, the Company enters into an agreement for the supply of jet fuel with several jet fuel suppliers in Israel, and as the need arises, imports jet fuel from abroad. For further details, see Section 8.5 above.

8.16.9 Competition

The airline industry is characterized by a high level of competition, which intensifies during times of excess capacity relative to the demand. The entry of additional airlines into the market or the expansion of operations of existing companies to an extent larger than the extent of increase in demand, leads to intensification of the competition in the airline industry, which situation creates excess capacity, leads to a decrease in the price levels for passenger and cargo carriage and may reduce the Company's share in the industry's operations and negatively affect the Company's business results. In addition, foreign airlines that are members of the world's three largest airline alliances operate in operational and commercial cooperation in the Israeli market, including codeshare agreements, mergers and acquisitions and significant commercial collaborations. Furthermore, changes that have occurred in recent years in international agreements, including the "Open Sky" aviation agreements between Israel and the European Union and between Israel and the U.S., as well as the entry of airlines from the Persian Gulf following the Abraham Accords, have intensified competition and affect the Company's operations.

Also, the foreign airlines may take shorter flight routes over countries over which Israeli airlines, including the Company, are not allowed to fly. This undermines the Company's ability to compete on equal and fair ground against such foreign airlines that have received such permit.

The differences created in this situation do not allow Israeli airlines to compete on fair and equal ground and create differences, including: an inferior product to customers due to long flight durations, a difference in the cost structure from which the consumer price is derived and the financial result in operation of the flights, an operational limitation due to the inability to use narrow-body aircraft, and a commercial limitation on the launch of new routes within the operational range of the Company's aircraft on the shorter route.

Furthermore, given the lenient treatment of foreign airlines under Israeli competition law (which may, *inter alia*, claim the applicability of Section 3(7) of the Economic Competition Law, 5748-1988, providing a blanket exemption from the Restrictive Arrangements chapter for arrangements between foreign airlines, subject to the fulfillment of the conditions in Sections 3(7) and 3A of the Law), the competitiveness of Israeli carriers, including the Company, may be harmed and may have a negative impact on the Company's business results. The impairment of the Company's ability to compete is heightened in view of the existence of mergers, acquisitions and alliances, which are prevalent in the global airline industry and in view of stricter and more restrictive implementation of competition laws in Israel as compared with competition laws in the United States and Europe. Such stringent application is reflected, *inter alia*, in the administrative proceedings currently pending against the Company. For details regarding the Competition Commissioner's notices of the intention to impose administrative fines on the Company, see Section 8.11.2 (f) above and Note 16 to the Financial Statements.

Nevertheless, as a result of the War and due to the reduction and discontinuance of operations by some of the foreign airlines, the Company's share in the aviation operations in BGA (particularly as relating to passenger transport) has grown which has possible implications in relation to competition law claims (see Section 8.11.2(f) above and Section 8.16.19 below).

For details regarding the Competition Commissioner's notices of the intention to impose administrative fines on the Company, see Section 8.11.2(f) above and Note 16 to the Financial Statements.

For details regarding the option to establish an operating base of a foreign airline in Israel, see Section 7.8.3 above.

For details regarding the measures taken by the Company in this context, see Section 7.8 above.

8.16.10 Management of the Company's commercial operations

In order to maximize the Company's revenues, the Company conducts meticulous commercial planning on an ongoing basis to choose its destinations and the flight frequency to every destination and manages a scheme for management of its pricing as dependent on demand levels and on types of passengers and destinations. Given the relatively low profitability rates in the industry relative to revenue turnover, inaccuracy of the commercial operations, as noted, may lead to a negative effect on business results. In the Report Year, the Company made changes and operational and commercial adjustments to its operations and route network. For further details, see Sections 1.2 and 7.2 above.

8.16.11 Global supply chain risks

Global events in recent years, including the Covid Pandemic, geopolitical events, economic crises, etc., have significantly affected global supply systems, including the aviation industry. The manufacturing and supply limits of material suppliers of the Company, for example the aircraft and engine manufacturers, affect the management of the Company's fleet of aircraft and engines and may materially affect the Company's ability to implement its strategic plan - *inter alia*, due to shortage of aircraft, lack of available engines or spare parts, the potential for aircraft downtime, etc. Note that given the increasing disruptions in the supply chain of the global aviation industry in general, and with respect to the Company in particular, given the geopolitical shifts in Israel and around the world, which lead, also, to delays in the rate of supply of aircraft,



engines and spare parts, the Company's strategic plan and business plan have been updated in the Report Year, as aforesaid in Section 8.15 above. In the context of the measures the Company takes in order to mitigate this risk, the Company operates aircraft under Wet Lease, acquires aircraft from other airlines, acquires aircraft and engines used by the Company (in lieu of leasing the same), and acquires simulators, all in order to address commercial demand needs while reducing reliance on a limited number of suppliers and manufacturers, as far as possible.

The Company is working to mitigate the risk of delays in the supply of new aircraft, also by adjusting the procurement plans, acquiring ownership of assets and creating an alternative solution by refurbishing and upgrading existing aircraft.

The Company is also working to streamline and shorten the time frames for aircraft and engine maintenance. These actions include the implementation of a comprehensive plan to improve engine availability, and adjusting the time tables for engine maintenance and overhaul plans, expanding the stock of available engines and enhancing operational flexibility. The Company has also entered into long-term agreements with relevant suppliers to ensure the availability of required spare parts, as part of the reduction of dependence on suppliers and varying supply times. The Company also expanded the mechanisms for consumable spare parts inventory management to ensure operational continuity and mitigate the risk of lack of essential stocks.

The gamut of measures taken by the Company strengthens its operational flexibility, reduces the risk of aircraft grounding and increases certainty in an environment characterized by global uncertainty in the supply chain.

For further details, see Sections 8.5.2, 8.12 and 8.15 above, as well as Notes 10 and 11 to the Financial Statements.

8.16.12 Environmental, climate and noise restrictions

The Company is exposed to risks related to the environment, climate, and noise. As part of the Company's commitment to responsible and sustainable management of its operations, the Company identifies and manages environmental risks that affect its business operations. Accordingly, the Company carries out various activities, such as wastewater treatment, improvement of environmental elements, waste treatment, membership of carbon dioxide emission reduction schemes, etc. The Company adopted the IATA Environment Assessment (IEnvA) program, which is based on the ISO 14001 standard, the leading international standard for environmental management in airlines, as part of the Company's efforts to minimize its environmental impact, carbon footprint, and contribute to global sustainability efforts. In the Report Year, the Company was certified by IATA for compliance with this program.

Furthermore, and as part of the Company's strategic plan, every year the Company releases an ESG Report, in accordance with the GRI reporting standards, which refers to the previous year.

Given the risk arising from the Company's exposure in relation to environmental and climate issues, the Company has increased its investments in this area and also continues to allocate the required resources. For details about the activities carried out by the Company as noted, as well as regarding the Draft Noise Regulations, see Section 8.10.1 above.

8.16.13 Impairment of flight safety and operational fitness maintenance failure

Deficiencies in flight safety and deficiencies in the maintenance of flight equipment, management of the fitness of air and ground crews required for conduct of the Company's planned operational activity, as well as other deficiencies in the Company's aviation operation, may harm the Company's flights, customers, facilities, employees, the Company's operational capacity and its ability to carry on its operations, thereby having a material adverse effect on the Company's operations. To maintain safety, the Company complies with the instructions and directives issued by the relevant functions, including the manufacturer's manual and the Civil Aviation Authority's instructions. In addition, the Company's Head of Safety, Quality and Sustainability is entrusted with maintaining safety in the Company. The Company has an internal steering committee, as

well as a safety committee on behalf of the Board of the Company. Furthermore, in the Report Year, the Company allocated and constantly keeps allocating resources for safety maintenance.

8.16.14 Impairment of flight security

To maintain flight security, the Company complies with security procedures in accordance with directives and instructions of the Israel Security Agency or any other body authorized to issue instructions on aviation security matters.

Security events or terrorist attacks in the world or the region immediately have an adverse effect on the carriage of passengers and cargo and affect the Company's financial position and scope of operations. The risk is that security events in Israel or in destination countries may result in commercial, image-related damage to the Company and may expose of the Company to claims and fines. In this aspect, the Company takes measures pursuant to the instructions of the official functions, as noted above.

Furthermore, security risks may lead to cancellation of the war and terrorism insurance coverage, which is mandatory, and create a dependence on State coverage and raise difficulties vis-à-vis aircraft stakeholders. It is emphasized that as the War persists, the Company experiences a rise in threats to its operations and is required to make commercial and operational adjustments, which include, *inter alia*, additional costs and resources. As a result, the Company incurs additional costs which are related, *inter alia*, to longer flight routes, security expenses, production capacity restrictions, etc. For details regarding notices from insurers with respect to the Company's aviation insurance regarding their intention to exclude the State of Israel from the scope of the Company's aviation insurance and regarding the removal of the exclusion, see Section 18.6.1 above.

8.16.15 Aviation regulation

The Company's operations and its ability to expand the extent and outline of the operations, are contingent, *inter alia*, on various regulatory approvals that are granted by the Israeli and global authorities. The absence of appropriate licensing, as well as noncompliance with international or domestic standards may lead to an increase in the Company's expenditure, fines and penalties, competitive inferiority vis-à-vis the Company's competitors and even interruption of the Company's continuity of operations.

The Company's operations are subject, *inter alia*, to the receipt of various licenses from the aviation regulator (such as air operator's certificate and maintenance institute license), the terms of which are determined according to the provisions of laws and regulations and are overseen by the CAAI and may therefore affect the Company's position, its ability to carry out its tasks and also adversely affect its financial results.

The Company's air carrier operator certificates and the aviation rights granted thereto are contingent on principal ownership and practical control being held by Israelis. Noncompliance with the provisions regarding the identity of the Company's shareholders may adversely affect the Company's operator's certificates and the aviation rights granted thereto by the State.

In addition, there is a risk of loss or non-allocation of historic slots in the airports where the Company wishes to operate due to late resumption of operations, which is affected by restrictions such as regulation and availability of equipment.

For details about regulatory arrangements, see Section 8.11.2 above. For details regarding the Draft Noise Regulations, see Section 8.10.1 above. For details regarding the establishment of a hub for a foreign company in BGA, see Section 7.8.3 above. For details regarding the advantages of foreign airlines over Israeli airlines, including the Company, see Section 8.16.9 above.

Company-Specific Risks

8.16.16 Flight security maintenance

For years, the Company has provided aviation security services to all Israeli airlines on their flights inbound to Israel.

Over the years, several Government Resolutions have been adopted, which changed the rate of the State's participation in the security expenses of Israeli airlines and stipulated various conditions for application

Until 31 December 2024, the rate of the State's participation in the Company's flight security expenses was 97.5%. In the Report Year, the rate of the State's participation in the Company's aviation security expenses was 95%.

For further details about the agreement signed with respect to the rate of the security expenses, see Section 8.11.12 above and Note 21 to the Company's Financial Statements.

A change in the rate of the State's participation in the Company's flight security expenses, failure to fully comply with the Government Resolution, lack of cooperation by the relevant governmental functions in the performance of Government Resolutions (including by the Ministry of Foreign Affairs in relation to the employment of flight security staff), changes in the scope of the security measures the Company will be compelled to take (due to security-related events, including the War, or due to attempted terrorist events), and also if the Company is forced to discontinue or limit its flights to any destination or is unable to expand its operations to additional destinations due to security considerations, may have a material effect on the Company's business results. For further details, see Section 8.11.12 above.

8.16.17 Employment relations, labor law, management of human resources and retention of organizational knowledge

The situation in the aviation industry and the intensifying competition require continuous efforts to maintain a careful and flexible costs' structure in the Company. Such efforts have included various processes including restructuring, negotiations with workers' committees and signing of sectoral employment agreements and collective bargaining agreements.

The employment terms and conditions of the Company's employees who are employed in Israel, with the exception of senior employees and other employees who are employed under personal agreements, are regulated by special collective-bargaining agreements. This issue may affect the ability to recruit new employees and/or replace existing manpower with other manpower.

Management of the Company's human resource, including manpower fitness, the placement of holders of professional and operational positions, professional training, the departure of holders of key positions or employees with essential knowledge and experience, difficulties in recruiting the number and composition of qualifications required, and so forth, may affect the Company's operation and its ability to stand firm in the face of increasing competition.

In this context, the Company maintains ongoing contact with the workers' committees of the various sectors, to maintain sound employment relations, while taking measures to retain and stabilize human resources.

For further details about collective-bargaining agreements, see Section 8.4.5 above.

8.16.18 Financing restrictions and liquidity risks

The materialization of a liquidity risk may impair the Company's ability to repay its financial liabilities as and when they become due, including aircraft acquisition or lease liabilities, while affecting the ability to finance future procurement.



The Company's primary liquidation risk is one where the Company's operations may be materially disrupted as a result of the materialization of some risk factor, such as a global pandemic, due to which the Company may be required to refund its customers, in material amounts, within a short amount of time. The measures taken by the Company to reduce exposure include, *inter alia*, the accumulation of unencumbered assets, establishment of an investment policy while maintaining a safety cushion of liquid means to be used by the Company as well as creation of alternatives for maintaining working capital.

Furthermore, in the context of the Company's hedging activity which is conducted pursuant to the hedging policy approved on a yearly basis by the risk management committee and the Board, the Company uses hedging instruments that limit the exposure of the Company for the purpose of providing collateral to financial entities vis-à-vis which the Company executes hedging transactions, and also bolsters the credit facilities for activity vis-à-vis those entities.

For details with respect to the management of the liquidity risk, see Note 14.H. to the Financial Statements.

8.16.19 Non-aviation regulation, competition laws and legal proceedings

The Company is a party to legal proceedings, both in times of normal operations and during the War, including claims the court has been moved to certify as class action suits in which, if granted, may lead to the Company being charged with material amounts, which are not always assessable and for which a provision in the Company's Financial Statements has not always been made. The results of such proceedings may have a material effect on the Company. For details, see Note 16 to the Financial Statements.

Included as part of the regulation risks applicable to the Company are also risks arising from the field of privacy protection in relation to individuals whose personal information the Company processes. This is especially relevant in view of developments in legislation, including the taking effect of Amendment 13 to the Protection of Privacy Law, 5741-1981. The Company's compliance scheme includes, *inter alia*, a specifically designated steering committee led by senior management members and the Company has a Data Protection Officer (DPO) who reports regularly to the Company's General Counsel and to the Company's management and Board. The Company takes measures to reduce such risks, *inter alia*, by the adoption of a privacy protection policy by the Company's Board, and the establishment of oversight mechanisms on behalf of the Board and its committees with respect to compliance processes within the Company, including ongoing discussions at the risk management committee as well as outlining audit programs that are conducted by the Company's internal auditor (and discussed in the Board's audit committee). In addition, the Company implemented procedures for the reduction of excess information, conducts ongoing training for employees, and has also implemented methodologies for the exercise of rights of third parties (data subjects), etc.

As a result of the War and against the backdrop of the reduction and suspension of activities by some foreign airlines, the Company's share of aviation activity at BGA (particularly regarding passenger transport) has increased, having potential implications concerning claims in the field of competition law (see Section 8.11.2(f) above).

In this context, since the outbreak of the War, the Company implements a strict pricing policy under which, in view of and depending on security events, the Company cuts down its economy-class flight ticket prices. Furthermore, during the Report Year and depending on the escalation of security events, the Company occasionally deepened the reduction of maximum flight ticket prices across its entire route network. The Company also set maximum prices for inbound flights (one-way flights) for a fixed period, in the service of Israelis left stranded outside of Israel due to flight cancellations by foreign airlines.

For details regarding the Competition Commissioner's notices of the intention to impose administrative fines on the Company, see Section 8.11.2(f) above and Note 16 to the Financial Statements.

For details about the effect of competition laws on the Company's operations, including as pertains to monopolies, see Section 8.11.2(f) and Section 8.16.8 above.



8.16.20 Restrictions deriving from certain provisions under the Special State Share

The provisions regarding the minimal carriage capacity the Company must maintain, impact the operational flexibility and impose burdensome liabilities in relation to the vital assets, as defined in the Company's articles of association. The indemnification that is due to the Company in such circumstances may fall short of the Company's expenses. Moreover, pursuant to the State's authority under the Government-Owned Companies Order, the State has an vital interest in the Company that allows the State to make effective use of its vital assets, as described in Section 8.11.13 above, which may impact the Company's operations.

8.16.21 Dependence on suppliers

All aircraft in the Company's service are made by Boeing. The Company is materially dependent on Boeing both with respect to spare parts and with respect to engineering support. The Company would be affected by restrictions, if any, on the orderly operations of Boeing.

The 777 Boeing aircraft fleet and the 787 Boeing aircraft fleet are fitted with engines made by Rolls Royce. The Company is materially dependent on this manufacturer, as pertains to current maintenance and the supply of spare parts for such aircraft engines. For details with respect to the Company's aircraft procurement engagements with Boeing and for details with respect to the Company's engagements with Rolls Royce in agreements for the purchase and maintenance of engines for aircraft acquired and leased by the Company, and the restrictions created in the engines' manufacturing process, see Section 8.12 above.

The "Amadeus" system is the Company's computerized system for reservations, flight management and security checks. Unilateral discontinuance of the operations of "Amadeus" will cause operational difficulties. The Company is materially dependent on "Amadeus", both as pertains to reservations and as pertains to management of the inventory of seats on its flights.

The Company engages suppliers for the supply of jet fuel for its aircraft. The Company believes that the amount of jet fuel purchased from such suppliers may create dependence on these suppliers, in a case where there are no immediate suitable alternatives for the supply of jet fuel at BGA. For further details about the jet fuel supply agreements, see Section 8.5.1 above.

Due to the supply chain disruptions, the Company's strategic plan and business plan have been updated. For further details about the update of the strategic plan, see Section 8.15 above.

8.16.22 Dependence on the resources of the IAA, BGA and principal and other airports

Most of the Company's operations are carried out in its home airport of BGA, which is operated by the IAA. Consequently, any persisting interruption of or disruption to the regular activity of the IAA and/or BGA and/or changes in the airport slot allocation policies of the principal airports where the Company operates in Israel and around the world may have a material adverse effect on the Company's operations, including a possible additional significant change in BGA's operating hours, which may have a material effect on the Company's operational ability and its financial results.

Additionally, resource limitations, including slots at BGA and/or other airports, may hinder the Company's growth, its ability to meet the strategic plan, and/or its operational efficiency. Furthermore, commercial decisions by the IAA regarding the Company's use of its assets may also impact the company's operations.

8.16.23 Reputational damage and damage to the Company's image

The Company estimates that its reputation in the Israeli airline market is strong and substantial, and that the value of its brand is very high. Damage to the Company's image and deficient handling of media events might lead to damage to the Company's reputation and image and to its financial results in consequence thereof. The Company has a marketing, digital, communications and government relations system which is entrusted, *inter alia*, with carrying out activities required to bolster the Company's reputation.



The following table presents a breakdown of the aforesaid risk factors by nature (macro risks, industry risks and Company-specific risks), rated according to estimations by the Company's management, according to the severity of their impact- major, moderate or minor – on the business of the Company as a whole.

	Major Impact	Major-Moderate Impact	Moderate Impact	Moderate-Minor Impact	Minor Impact
Macro Risks					
Political, geopolitical, security-related events or terrorism	✓				
Exposure to currency risks				✓	
Changes in the economic situation			✓		
Natural disasters and other extreme events	✓				
Exposure to variable interest rates					✓
Exposure to international sanctions and trade restrictions					✓
Cyber threats, impairment of information systems and databases		✓			
Industry Risks					
Jet fuel prices and supply				✓	
Competition			✓		
Management of the Company's commercial operations					✓
Global supply chain risks		✓			
Environmental, climate and noise restrictions			✓		
Impairment of flight safety and fitness maintenance failure			✓		
Impairment or flight security	✓				
Aviation regulation	✓				
Company-Specific Risks					
Flight security maintenance costs			✓		
Employment relations, labor laws, management of human resources and retention of organizational knowledge			✓		
Financing restrictions and liquidity risks					✓
Non-aviation regulation, competition laws and legal proceedings	✓				
Restrictions deriving from certain provisions under the Special State Share					✓
Dependence on suppliers	✓				
Dependence on resources of the IAA, BGA and major and other airports	✓				
Reputational damage and damage to the Company's image			✓		



EL AL ✧



Chapter B

Report of the Board of Directors on
the State of the Corporation's Business
EL AL Israel Airlines Ltd.

THE GROUP'S OPERATIONS

EL AL Israel Airlines Ltd. (the **"Company"** or **"EL AL"**) and the subsidiaries (collectively: the **"Group"**) operate in the field of air transport of passengers and cargo to and from Israel. The Group primarily operates scheduled flights of the Company and of the subsidiary Sun d'Or International Airlines Ltd. (**"Sundor"**). In addition, the Group operates a loyalty program for its customers, in the context of which it collaborates with financial institutions in a branded credit card venture through the subsidiary EL AL Frequent Flyer Ltd. (the **"FF Company"**). The Group also engages in related activity such as charter flights operated by Sundor, the sale of duty-free products, production and supply of food for airlines (including for the Company itself) which is carried out by the subsidiaries TAMAM – Aircraft Food Industries (Ben Gurion Airport) Ltd. (**"TAMAM"**) and Borenstein Caterers Inc. (**"Borenstein"**), as well as in the provision of ongoing and comprehensive maintenance services for aircraft, including the Company's own aircraft. In addition, the Group operates in the field of development and entrepreneurship through the subsidiary Cockpit Innovation Ltd. In accordance with the arrangements vis-à-vis the State in this context, the Company also operates in the field of provision of security services to the Israeli aviation industry.

REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT ON BUSINESS DEVELOPMENTS AND THEIR IMPACT ON THE GROUP

Main development of business operations in 2025

The business environment in which the Group operates is international and civil aviation and tourism to and from Israel, which is characterized by intense competition and high sensitivity to the economic, political and security conditions in Israel and worldwide. The ongoing security situation in view of the persistence of the Swords of Iron war (the **"War"**) throughout 2025 had a material impact on the aviation industry in Israel, including on the seat capacity in the market and the stability thereof, the general demand for flights, the nature and scope of passenger traffic, all as specified below. In October 2025, an agreement was signed for a ceasefire and the end of the war. With respect to development of the competition at Ben Gurion Airport (BGA) and the Company's market share, *inter alia* in view of the expected ramp-up of the activity of foreign airlines at BGA, see Section A.2.1 and the introduction below.

2025 was characterized by high demand for the Group's flights, similar to last year, and following the launch of a missile into Israeli territory and its impact in the area of BGA in May 2025, demand for the Group's flights further increased, until the launch of operation 'Rising Lion' (**"Operation Rising Lion"** or the **"Operation"**), which led to closure of the airspace over BGA, resulting in suspension of the Group's flights from 13 June 2025 until the gradual resumption of full operations on 1 July 2025. For further details regarding Operation Rising Lion, its impact on the Group and the actions taken thereby, see Section 1.2 of the Description of the Corporation's Business chapter.

In Q4/2025, following the cessation of hostilities, the trend toward the return of competition and seasonality began to strengthen, although not yet to its full extent. In Q4/2025 (the **"Current Quarter"**), foreign airlines' operations were still limited compared with their operations in normal periods, despite the strengthening trend toward the return of competition at BGA. Consequently, and in view of the continued growth in passenger traffic at BGA, high demand for the Group's flights persisted during the Current Quarter as well, and therefore load factors were high in comparison to normal levels, amounting to ~92.7%, lower than the load factor in the same period last year, which was exceptionally high (particularly relative to the season) and amounted to ~96.2%.

At the same time, the Group continues to develop its production capacity and expand the aircraft fleet available thereto, and to train the necessary workforce, including the recruitment and training of aircrews and ground crews. 2025 saw an increase of ~2.9% in the aggregate ASK (Available Seat Kilometers) supply offered by the Group compared with last year (despite the impact of Operation Rising Lion, during which operations were almost completely halted), and in the Current Quarter, the aggregate ASK offered by the Group increased by ~4.6% compared with the same quarter last years.

The Company's forecast for 2026

In the Company's estimation, the return of foreign airlines is expected to continue and gradually intensify during 2026. For further details regarding development of the competition and the expected continued recovery of operations at BGA for 2026, see Section A.2.1 below.

Although the Group's business results were materially affected by the business environment in which it operated in 2025, as specified above, the Company has the following significant anchors, which are expected to contribute to its operations in the coming years:

- The business nature of the global aviation market in general, and the Israeli market in particular, characterized by high demand following the shortage of seat supply deriving from the gradual pace of recovery from the Covid crisis.
- The increase in the seat capacity offered by the Group, among other things, thanks to the expansion of its fleet, which trend is expected to continue in the coming years.
- The efficiency agreements and the change in labor relations, as well as improvements in digitization, which resulted in a more efficient and leaner cost structure relative to the scope of operations.
- Significant collaboration agreements, as specified in Section 8.13 of the Description of the Corporation's Business chapter, have led to the improvement of the value offered by the Group to its customers.
- The continued development of the Matmid Frequent Flyer Program (FFP).

The Company's forecasts for 2026 as set forth above constitute forward-looking information as defined in the Securities Law, 5728-1968 (the "Securities Law"), based on data, assumptions, estimates, and forecasts, inter alia, based on the Company's experience as well as third-party data and forecasts, and are also largely dependent on third parties and their activities, as well as the occurrence of events beyond the Company's control. Any change in the aforesaid assumptions and forecasts, as well as the materialization of any of the risk factors relevant to the Company and its operations (as specified in Section 8.16 of the Description of the Corporation's Business chapter of this report), may affect, and even materially affect, actual results.

Development of flight ticket sales to the Group's passengers

The table below presents flight ticket sales to the Group's passengers (ticketed bookings, regardless of the flight date) in June 2024-February 2026 (forecast), as well as refunds made in the same periods (USD in millions). It is emphasized that the figures below are not revenue figures.

	June 2024- Aug. 2024	Sept. 2024- Nov. 2024	Dec. 2024- Feb. 2025	March 2025- May 2025	June 2025- Aug. 2025	Sept. 2025- Nov. 2025	Dec. 2025- Feb. 2026 (forecast)
Sales¹	1,040	1,104	1,101	1,213	1,114	1,032	1,087
Vouchers issued	(50)	(66)	(53)	(51)	(99)	(51)	(41)
Cash refunds	(84)	(112)	(103)	(109)	(252)	(117)	(105)
Total refunds and vouchers issued	(134)	(178)	(156)	(160)	(351)	(168)	(146)
Sales, net of refunds	906	926	945	1,053	763	863	941
Percentage of sales for future periods²	47%	49%	47%	60%	53%	51%	56%

¹ The figures are forecasted sales figures, gross, including airport taxes attributed thereto, and including sales via vouchers, credits and FFP points. The revenue from such sales will be recognized no earlier than the assigned flight date, if any. Some of the ticket sales may be modified by the customers, for example through cancellation or modification of the ticket.

² The rate of future sales constitutes part of the sales that were made in the reported period for flights that will be made after the said period.



The sales forecast as set forth above constitutes forward-looking information, as defined in the Securities Law, based on data, assumptions, estimates and forecasts that may change, in whole or in part, or materialize differently, and even materially differently, than currently expected. The forecast and the data are based on key assumptions concerning, inter alia, the continuation of flight operations at BGA in the near term, and are also largely dependent on third parties and their activities as well as the occurrence of events beyond the Company's control. Any change in the aforesaid assumptions and forecasts, as well as the materialization of any of the risk factors relevant to the Company and its operations (as specified in Section 8.16 of the Description of the Corporation's Business chapter of this report), may affect, and even materially affect, actual results.

• FFP member activity data

The FF Company is a substantial growth driver for the Company, and an important platform for passenger loyalty preservation. Below are figures on the number of FFP members (in thousands), the number of Flycard credit cards (in thousands) and the rate of identified purchases by FFP members:

	As of 31 December 2025	As of 31 December 2024
No. of FFP members (in thousands)	3,552	3,266
No. of Flycard credit cards (in thousands)	518	447

	For the year ended 31 December 2025	For the year ended 31 December 2024	For the 3-month period ended 31 December 2025	For the 3-month period ended 31 December 2024
Rate of identified purchases by FFP members ³	54%	50%	57%	54%

The number of FFP members increased by ~8.7% in 2025, and the number of credit cards increased by ~15.88%. Furthermore, the Group expects to have ~4.2 million FFP members by 2030.

As set out in Section 7.6.3 of the Description of the Corporation's Business chapter, the FFP operations were sold to the subsidiary EL AL Frequent Flyer Ltd. (the "FFP Company"). The following table presents selected data of profit and loss⁴ and cash flow from operating activities of the FFP Company:

	For the year ended 31 December 2025	For the year ended 31 December 2024
Revenues	92.7	66.5
EBITDA	86.1	62.4
Operating income	94.4	53.6
Net income	52.5	9.0
Cash flow from operating activities	156.3	92.8

The data presented in the above table are in accordance with the separate financial statements of the FFP Company which include, *inter alia*, gains and losses from intercompany transactions, including the

³ The rate of identified purchases by FFP members was calculated according to the ratio between the Company's revenues from flights attributed to FFP members and the Company's total revenues from flights.

⁴ The FFP Company's profit and loss includes the amortization of intangible assets of the FFP Company.

accrual and redemption of FFP points, amortization of intangible assets arising from the acquisition of operations, and financing expenses in respect of intercompany loans.

For the purpose of consolidating the FFP Company into the Group's consolidated financial statements, the Company performs numerous adjustments to such data in order to comply with accounting principles, including the elimination of the impact of intercompany transactions, and consequently, the consolidated data in the consolidated financial statements materially differ from the data specified in the above table.

The following table presents selected data from the statement of financial position of the FFP Company:

	As of 31 December 2025	As of 31 December 2024
Cash and cash equivalents	153.7	19.4
Current assets	232.1	44.1
Non-current assets	423.7	470.7
Current liabilities	278.0	217.6
Non-current liabilities	53.0	61.3
Equity	324.8	235.9

See above for adjustments performed by the Company for the purpose of consolidating the FFP statements.

With regards to a notice of exercise of an option to purchase 5.1% of the FF Company's share capital, see Note 14.C and 19.G to the financial statements and the immediate report released by the Company on 19 February 2026 (Ref. 2026-01-016078).

In December 2025, Mr. Moshe Morgenstern assumed his office as CEO of the FF Company.

The Company's forecasts regarding the number of FFP members constitute forward-looking information, as defined in the Securities Law, based on the Company's assumptions, estimates and forecasts or intentions in relation to its business environment that may change, in whole or in part. Therefore, actual results, in whole or in part, may not materialize as stated, only partly materialize, or materially differ from the results and forecasts estimated, derived from or implied by this information, inter alia, as a result of dependence on third parties outside the Company's control or the occurrence of events beyond the Company's control, including the materialization of any of the risk factors that characterize the Company's operations as specified in Section 8.16 of the Description of the Corporation's Business chapter of this report.

OTHER KEY EVENTS DURING AND AFTER THE REPORT PERIOD

- **The rate of the State's participation in security expenses**

The rate of the State's participation in security expenses as of the report date is 95%. In March 2025, the Company and the State entered into an addendum to agreements (including the amendments thereto) signed by the parties in 2011 and 2013, whereby during the period between 1 January 2025 and 31 December 2031, the rate of the State's participation in the aviation security budget of the Company and Sundor will decrease, and the rate of the aviation security budget costs borne by the Company will increase, as follows (the "Addendum to the Agreement with the State"):

Calendar year	Rate of the State's participation ("State Participation Rate")	Rate of aviation security budget costs borne by the Company ("EL AL Participation Rate")
2025	95%	5%
2026	94%	6%
2027	93.5%	6.5%
2028	93%	7%
2029 forth	92.5%	7.5%

The amount of the aviation security budget costs borne by the Company will not exceed an annual payment cap of USD 13 million (as of 2025). The aforesaid notwithstanding, insofar as the amount of the Company's participation in any calendar year exceeds the said payment cap, the State Participation Rate will be 97.5% and the EL AL Participation Rate will be 2.5%, for the surplus aviation security budget costs over and above the aviation security budget that reflects the payment cap. The payment cap will be linked to the Consumer Price Index (CPI) in Israel. In addition, in each one of the years 2028 and 2030, the adjusted payment cap shall increase by an additional USD 0.5 million (the "Adjusted Payment Cap").

The Addendum to the Agreement with the State also determines the following provisions:

1. The State, through the relevant functions, and pursuant to any law, shall make efforts to explore streamlining measures for the aviation security operations.
2. The aviation security services will be provided according to the instructions and directives of the Israeli Security Agency or any other entity authorized to issue directives on aviation security matters.
3. The parties may agree on extension of the term of the agreement until 31 December 2034, subject to a government decision approving such extension. In any case where the agreement is extended, the Adjusted Payment Cap shall increase in 2032 by an additional USD 1 million.

The Company estimates that the additional annual expense deriving from the reduction in the State's participation in such expenses in the agreement years (between 2025 and 2031) will range between USD 5-10 million per year, depending on materialization of the Company's expected activity, streamlining of the security operations and the changing macroeconomic environment.

The forecasts and estimates with respect to the additional annual expense deriving from the reduction in the rate of the State's participation in such expenses constitute forward-looking information as defined in the Securities Law, and may change or materialize differently, and even materially differently, than expected, as a result of numerous factors, including as a result of the changing security situation. The Company's forecasts are largely dependent on third parties and their activities, as well as the occurrence of events beyond the Company's control, including the amount of the security expenses, CPI increase changes, etc. The failure of forward-looking information to materialize, or its materialization in a manner different (and even materially different) than expected, may also be caused by the materialization of any of the risk factors that characterize the Company's operations as specified in Section 8.16 of the Description of the Corporation's Business chapter of this report.

- **Change to restrictions pertaining to dividend distributions**

For details regarding the addendum of 10 April 2025 to the agreement signed on 18 March 2021 between the Company, Sundor and the State of Israel, which addresses, *inter alia*, a change to the restrictions applicable to the distribution of dividends by the companies, see the immediate report of 14 April 2025 (Ref. 2025-01-027214), as well as Note 18.G to the financial statements.

- **Extension of the Company's shelf prospectus**

In August 2025, the Israel Securities Authority (ISA) announced extension of the period in which securities may be offered under the Company's shelf prospectus, which was published on 15 August 2023, until 15 August 2026. For further details, see an immediate report released by the Company on 11 August 2025 (Ref. 2025-01-059307).

- **Consent of the holder of the special State share to a holding of shares of the Company**

On 28 October 2025, the Company received the consent of the holder of the special State share to the amendment of the control permit. This consent replaces the consent of May 2021 that was granted by the holder of the special State share to the permit holders Messrs. Kenneth Neal Rozenberg and Eli Zachary Rozenberg. For further details, see an immediate report released by the Company on 29 October 2025 (Ref. 2025-01-081239).

- **Engagement between the Chairman of the Board and Kanfei Nesharim**

On 30 October 2025, an agreement was signed between the Chairman of the Board, Mr. Amikam Ben Zvi, and Messrs. Kenneth Neal Rozenberg and Eli Zachary Rozenberg, whereby after and subject to receipt of the required regulatory approvals, Ben Zvi and the Rozenberg family will enter into an agreement for Ben Zvi's investment in the Company's controlling shareholder, which, if closed, will confer on Ben Zvi 15% of the rights in the Company's controlling shareholder (the "**Investment Agreement**"). In addition, the Investment Agreement will also include mutual options of the Rozenberg family and Ben Zvi for sale to the Rozenberg family of Ben Zvi's holdings in the Company's controlling shareholder. It is clarified that the Investment Agreement, including the closing thereof, shall not result in a change of control of the Company.

The notice to the Company clarified that the aforesaid agreement and the Investment Agreement are not related to Ben Zvi's office as Chairman of the Company's Board, and the terms of the agreement and the Investment Agreement are not dependent on nor will be affected by the duration of Ben Zvi's office as Chairman of the Board, nor by any change in the terms of his office or in the compensation granted to him by the Company, if any.

For further details, see an immediate report released by the Company on 2 November 2025 (Ref. 2025-01-082583).

A. THE BOARD OF DIRECTORS' EXPLANATIONS ON THE STATE OF THE CORPORATION'S BUSINESS

A.1 Key Figures

Key quantitative figures for 2025 compared with last year (USD in millions):

	Y2025	% of revenues	Y2024	% of revenues
Revenues from operations	3,476.0	100.0%	3,432.2	100.0%
EBITDA ⁵	847.7	24.4%	1,035.4	30.2%
EBITDAR ⁶	947.4	27.3%	1,111.7	32.4%
Income before taxes on income	546.9	15.7%	677.6	19.7%
Net income for the period	410.3	11.8%	544.9	15.9%
Cash flow from operating activities	1,046.2		1,445.4	
Free cash flow (before tax and after debt service)	469.9		627.1	
Closing balance of cash and cash equivalents and available liquid resources at end of period	1,961.0		1,443.8	

Key points:

General: As stated in the above introduction to the Board of Directors' Report, 2025 – particularly during its peak seasons – was characterized by a trend of strong demand for the Company's flights due to the limited operations of foreign airlines and increased traffic at BGA compared with 2024, although foreign airlines' operations increased in comparison with 2024 but were still significantly reduced in comparison with normal levels. The foregoing, combined with the continued expansion of the Group's production capacity, as specified in Section A.2.3 below, led to an increase in the scale of the Group's operations, such that the Group's revenues in 2025 totaled approx. USD 3,476.0 million (an increase of approx. USD 43.8 million compared with last year, ~1.3%).

EBITDAR: Despite the increase in revenues, the EBITDAR decreased in comparison with last year. The decline in operating margin derives from several factors, and primarily:

- The impact of Operation Rising Lion, which led to a decrease of approx. USD 100 million in income before tax, given the fact that the Group continued to incur fixed costs during the suspension of operations due to the Operation, and also sustained incremental costs as a result of the Operation, such as aircraft parking fees due to their relocation to alternate airports abroad, hotel and per diem expenses for crews stationed abroad during the Operation, crew transfers abroad, passenger maritime evacuation via a shipping company, and other costs, in addition to a provision (reduction in revenue) recognized by the Group in respect of passenger indemnification, as specified in Note 12(2) to the financial statements.
- A decrease in the contribution of cargo operations to income due to ramp-up of foreign airlines' activity, and the trend of demand stabilizing relative to supply in the cargo market.
- Price increases in the business environment in which the Group operates (see further details in Section A.3 below), which were also affected by the strengthening of the ILS against the USD, in an estimated amount (on operating income) of approx. USD 77 million.

⁵ Earnings before Interest, Tax, Depreciation and Amortization.

⁶ EBITDA, as defined above, excluding expenses in respect of leases for which no assets and liabilities were recognized in accordance with International Financial Reporting Standard 16 (IFRS 16) (primarily wet leases (lease of aircraft and crew)).



Net income: Although EBITDAR is USD 164.3 million lower than last year, income before tax decreased by approx. USD 130.7 million and totaled approx. USD 546.9 million, and net income totaled approx. USD 410.3 million, which represents a decrease of approx. USD 134.6 million compared with last year. The more moderate decrease in income before tax and in net income compared with the decrease in EBITDAR is primarily due to the continued improvement in the Group's financing data, nearly eliminating the expense, as a result of the increase in liquid balances and in the interest income they yield as well as a decrease in the debt burden in respect of loans and leases and the interest expenses arising therefrom, thus reflecting the Group's financial strength.

Free cash flow (before tax):

The following table presents the Group's free cash flow (before tax) for 2025 compared with 2024:

	Y2025	Y2024	Y2025 vs. Y2024
	USD in millions		
EBITDA	847.7	1,035.4	(187.7)
CAPEX ^[7]	(128.6)	(92.0)	23.4
Free cash flow (before tax and debt service)	719.1	943.4	(164.3)
Loan principal repayment ^[8]	(154.4)	(147.4)	(7.0)
Lease principal repayment ^[9]	(104.9)	(106.8)	1.9
Interest payments ^[10]	(63.0)	(85.4)	22.4
Interest income	73.1	23.3	49.7
Free cash flow (before tax and after debt service)	469.9	627.1	(97.2)

In 2025, the free cash flow totaled approx. USD 719.1 million before tax and debt service and approx. USD 469.9 million before tax and after debt service. The decrease in free cash flow before tax and after debt service derives mainly from the decrease in EBITDA as explained above, and from an increase in current investments (CAPEX). Such investments include the purchase of spares, engine refurbishment and also information technology investments, including investments in development and the purchase of software and hardware as specified in Section A.5 below.

Conversely, interest payments (net basis) saw a drop, which reflects a significant decrease in the Group's debt level, in addition to an improvement of approx. USD 50 million in the cash flow from interest income in respect of deposits, due to the increase in liquid balances during the reporting period.

The increase in low principal repayment results from the repayment of a balloon component repaid according to the loan payment schedule in the sum of approx. USD 16 million. Excluding this sum, the cash flow used for the current repayment of loans decreased, as did the current repayment of the lease principal, as part of the trend of continued reduction of the Group's debt.

⁷ CAPEX includes cash flow used for the acquisition of assets (primarily spares and components) for maintenance (rather than growth).

⁸ In 2024, loan principal repayment excludes loan prepayments.

⁹ Lease principal repayment excludes repayments made in the same year for leases contractually due in previous years but actually paid in the said years due to Covid-related postponements.

¹⁰ Excluding payment in respect of discount, accelerated as a result of the prepayment of the Phoenix loan in 2024 (for details, see Note 14.C to the annual financial statements). In addition, interest payments include notional interest in respect of leases according to IFRS 16 and the cash flow effect of interest hedging.

Development of cash and cash equivalents and readily available liquid resources¹¹:

	Y2025	Y2024	Y2025 vs. Y2024
	USD in millions		
Opening balance of cash and cash equivalents, deposits over one year and available liquid resources	1,443.8	405.7	1,038.1
Free cash flow (before tax and after debt service)	469.9	627.1	(157.2)
Issuance of shares and exercise of stock options	113.5	193.5	(80.0)
Procurement of assets, net ^[12]	(180.5)	(103.8)	(76.7)
Repayment of loan from controlling shareholder	(9.8)	(60.2)	50.4
Others (mainly changes in working capital) ^[13]	124.2	381.4	(257.2)
Closing balance of cash and cash equivalents, deposits over one year and available liquid resources	1,961.0	1,443.8	517.2

The following table presents figures on the development of the Company's financial debt from the end of 2019 until the report date:

Financial debt and debt to EBITDA ratio:

	31 Dec. 2025	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022	31 Dec. 2019
	USD in millions				
Financial debt, gross ^[14]	1,276.4	1,519.1	1,834.6	2,020.9	2,235.6
Cash and cash equivalents, including readily available deposits	1,961.0	1,443.8	405.7	283.4	229.3
Financial debt (surplus), net	(684.6)	75.3	1,428.9	1,737.4	2,006.3
EBITDA (LTM) ^[15]	847.7	1,035.4	503.3	307.5	243.1
Net financial debt to EBITDA ratio	Less than 0	0.1	2.8	5.6	8.3

¹¹ Readily available liquid resources include readily available short- and long-term deposits and investments in financial assets as specified in Note 3 to the financial statements.

¹² Net of asset sales.

¹³ For details regarding the change in the working capital, see Section A.5 below.

¹⁴ Including leases (except leases which are not subject to IFRS 16 – mainly wet leases (ACMI)).

¹⁵ EBITDA for a 12-month period ended on the relevant date in each of the periods.



Key figures for Q4/2025 compared with the same quarter last year (USD in millions):

	Q4/2025	% of revenues	Q4/2024	% of revenues
Revenues from operations	851.7	100.0%	851.6	100%
EBITDA ¹⁶	177.7	20.9%	249.4	29.3%
EBITDAR ¹⁷	198.8	23.3%	275.1	32.3%
Income before taxes on income	73.5	8.6%	139.0	16.3%
Net income for the period	46.2	5.4%	129.6	15.2%
Cash flow from operating activities	223.2		354.0	
Free cash flow (before tax and after debt service)	78.6		142.6	
Cash and cash equivalents, deposits over one year and available liquid resources at end of period	1,961.0		1,443.8	

Key points:

As stated in the above introduction to the Board of Directors' Report, the Group's revenues in Q4/2025 totaled approx. USD 851.7 million (similar to the same quarter last year), EBITDAR in Q4/2025 totaled approx. USD 198.8 million (a decrease of approx. USD 76.3 million compared with the same quarter last year), and consequently, income before tax in the Current Quarter decreased by approx. USD 65.5 million compared with the same quarter last year and totaled approx. USD 73.5 million, and net income totaled approx. USD 46.2 million, a decrease of approx. USD 83.4 million compared with the same quarter last year. The main developments were:

- **Revenues:** Q4/2025 saw an increase in passenger activity, with ASK increasing ~4.6% compared with the same quarter last year, with the continued expansion of the production capacity and aircraft fleet of the Company as specified in Section A.3.2. RASK (Revenue per Available Seat Kilometer) decreased ~2.3%, primarily due to the decrease in the load factor down to ~92.7%. This load factor is high, and particularly so relative to the season, albeit lower than the even more exceptional load factor in the same quarter last year. Conversely, cargo revenues decreased by approx. USD 27.6 million compared with the same quarter last year, as a result of the intensification of competition and the decline in the Company's market share in this area.
- **EBITDAR:** The decrease of approx. USD 76 million in EBITDAR originates in several factors, chief of which are the decrease in the load factor compared with the same quarter last year, the decrease in revenues from cargo in the cargo hold of passenger aircraft which have a material effect on profit margins and the price increases in the macroeconomic environment in which the Group operates, including the strengthening of the ILS against the USD.
- **Net income:** The decrease in income before tax and in net income originates from the decrease in EBITDAR, as explained above. Furthermore, income before tax and net income were adversely affected by non-recurring expenses as specified in Note 20.E to the financial statements. Conversely, income before tax and net income were positively affected by the improvement in financing expenses.

¹⁶ Earnings before Interest, Tax, Depreciation and Amortization.

¹⁷ EBITDA, as defined above, excluding expenses in respect of leases for which no assets and liabilities were recognized in accordance with International Financial Reporting Standard 16 (IFRS 16) (primarily wet leases (lease of aircraft and crew)).

Free cash flow (before tax):

The following table presents the Group's free cash flow (before tax) in the Current Quarter compared with same quarter last year:¹⁸

	Q4/2025	Q4/2024	Q4/2025 vs. Q4/2024
	USD in millions		
EBITDA	177.7	249.4	(71.7)
CAPEX ^[19]	(42.6)	(28.6)	(14.0)
Free cash flow (before tax and debt service)	135.2	220.8	(85.7)
Loan principal repayment ^[20]	(32.6)	(35.2)	2.7
Lease principal repayment ^[21]	(24.3)	(31.0)	6.7
Interest payments ^[22]	(14.5)	(19.8)	5.3
Interest income	14.8	7.8	7.1
Free cash flow (before tax and after debt service)	78.6	142.6	(64.0)

The change in pre-tax free cash flow primarily results from the differences in the business results in comparison with the same quarter last year, which were offset due to a decrease in debt service payments and as a result of an increase in interest income in respect of deposits.

Development of the cash and cash equivalents balance and the readily available liquid resources:

	Q4/2025	Q4/2024	Q4/2025 vs. Q4/2024
	USD in millions		
Opening balance of cash and cash equivalents, deposits over one year and available liquid resources	1,828.5	1,250.0	578.5
Free cash flow (before tax and after debt service)	78.6	142.6	(64.0)
Issuance of shares and exercise of stock options	6.0	18.8	(12.8)
Procurement of assets, net ^[23]	(11.0)	(36.8)	25.8
Repayment of loan from controlling shareholder	(9.8)	-	(9.8)
Others (mainly changes in working capital)	68.7	69.3	(0.6)
Closing balance of cash and cash equivalents, deposits over one year and available liquid resources	1,961.0	1,443.8	517.2

¹⁸ Free cash flow is calculated based on EBITDA (rather than EBITDAR), since expenses in respect of leases for which assets and liabilities were not recognized under IFRS 16 are primarily cash-based.

¹⁹ CAPEX includes cash flow used for the acquisition of assets (primarily spares and components) for maintenance (rather than growth).

²⁰ In 2024, loan principal repayment excludes loan prepayments. In 2023, it excludes the repayment of a loan taken to fund aircraft down payments.

²¹ Lease principal repayment excludes repayments made in the same year for leases contractually due in previous years but actually paid in the said years due to Covid-related postponements.

²² Excluding payment in respect of discount, accelerated as a result of the prepayment of the Phoenix loan. In addition, interest payments include notional interest in respect of leases according to IFRS 16 and the cash flow effect of interest hedging.

²³ Net of asset sales.

A.2 Review of development of the business environment and operational metrics

A.2.1 Review of the business environment in which the Company operates

For the year ended 31 December 2025:

Global trends in the aviation industry:

IATA estimates of passenger traffic and international aviation industry profitability in the reporting year

According to estimates by the International Air Transport Association (IATA) published in December 2025, the total number of passenger segments in 2025 is estimated at ~4.982 billion, for the first time since the Covid crisis, a number 9.2% higher than the number of passenger segments in 2019, immediately before the crisis.

Airline revenues in 2025 are estimated at approx. USD 1 trillion, compared with approx. USD 968 billion and approx. USD 838 billion in 2024 and 2019, respectively. Furthermore, total net income for the airline industry in 2025 is estimated at approx. USD 39.5 billion, with a net profit margin of ~3.9%, compared with approx. USD 28.3 billion (2.9%) and approx. USD 24.6 billion (3.1%) in 2024 and 2019, respectively.

IATA's assessment of passenger traffic and international aviation industry profitability in 2026

The number of passengers in 2026 is projected to reach ~5.2 billion passenger segments, an increase of ~4.4% compared with 2025 and ~14.1% compared with 2019. Airline passenger load factor in 2026 is expected to reach a record high of ~83.8% of all available seats.

According to IATA forecasts, airline revenues in 2026 are expected to reach approx. USD 1.05 trillion, with a net income of approx. USD 41 billion—representing a historic high for the aviation industry—and a net profit margin of ~3.9%.

In its assessment²⁴, IATA notes the risks and constraints facing the aviation industry, including supply chain challenges, which continue to limit airlines' ability to meet demand, high regulatory costs, infrastructure constraints, climate change-related disruptions, cyber and AI threats, and geopolitical conflicts.

IATA's assessments and estimates with respect to the global aviation industry as set out above, including passenger traffic and the profitability of the aviation sector, as well as identification of the significant risks to the aviation industry, constitute forward-looking information as defined in the Securities Law. Such information is not based on the Company's assessments and relies solely on IATA's assessment. To the best of the Company's knowledge, IATA's assessment is based, inter alia, on current trends of change in the tourism and aviation industry in recent years and the developments expected therein, and it is also subject to the effects of the economic, security and geopolitical situation in Israel and the world. Therefore, actual data may materially differ from the assessment specified.

Passenger traffic at BGA and market share:

Passenger traffic at BGA in the reporting year

In 2025, the number of passenger segments at BGA was ~33.1% higher than last year. However, unlike the globally prevailing trend as specified above, the number of passenger segments at BGA was ~23% lower than the number of passenger segments in 2019, due to the persistence of the security situation and the geopolitical state of affairs in the Middle East.

Furthermore, in Q4/2025, with the gradual recovery and the resumption of operations by some of the foreign airlines, the number of passenger segments at BGA increased by ~62.1% compared with the same

²⁴ For IATA's detailed assessment, see the following link: <https://www.iata.org/en/pressroom/2025-releases/2025-12-09-01/>

quarter last year. however, the number of passenger segments at BGA in the Current Quarter was ~16% lower than the number of passenger segments at BGA in Q4/2019.

The Group's market share in 2025 amounted to ~37.4% compared with a market share of ~47.5% last year, and its market share in Q4/2025 amounted to ~32.5%, compared with a market share of ~52.4% in the same quarter last year.

Projected passenger traffic at BGA in 2026

Traffic at BGA is expected to total ~22.0 million passenger segments in 2026. For details with respect to the grant of permission for a foreign airline to establish a base of operations in Israel, see Section 7.8.3 of the Description of the Corporation's Business chapter.

Estimates of passenger traffic at BGA in 2026 constitute forward-looking information as defined in the Securities Law. This information is based, inter alia, on data published in the distribution systems and in various publications. Actual data may differ materially from the estimates specified herein as a result of numerous factors, including developments in the geopolitical situation in the region and the materialization of any of the risk factors relevant to aviation operations as set out in Section 8.16 of the Description of the Corporation's Business chapter of this report.

The following tables describe the development and breakdown of passenger traffic at BGA during the reporting periods, categorized by outbound residents and inbound tourism, as well as by geographic regions, the traffic of key competitors and the Company's market shares, both overall and by geographic regions.

Price increases in the macroeconomic environment:

As part of the trend of price increases in Israel and worldwide, including in the economic environment in which the Group operates, there have been price increases in some of the inputs in the Group's production and supply chain, including the 'airport fees and services and air navigation charges' item, as well as the 'food, passenger service and other operating costs' item, which impact the Group's results. In addition, the strengthening of the ILS against the USD leads to an increase in the USD expenses of some of the Group's ILS-denominated expenses, mainly in the payroll item, as well as an increase in the percentage of operating expenses out of revenues. For details, see Section A.3 below.

Passenger traffic at BGA – inbound tourists and outbound residents²⁵

		Y2025	Y2024	Y2025 vs. Y2024
Passenger traffic at BGA	Flight segments in millions	18.5	13.9	33.1%
Outbound residents	Passengers in millions	8.3	6.3	32.2%
Inbound tourists	Passengers in millions	1.2	0.9	37.2%

²⁵ Outbound residents – by air only. Inbound tourists – by air and excluding day visitors, as defined by the Central Bureau of Statistics (CBS).

Passenger traffic (direct flights²⁶) – passenger segments in millions, by geographic region

Region	Y2025	Y2024
Transatlantic	1.7	1.3
Europe	14.4	10.9
Middle East & Africa	1.8	1.1
Far East	0.6	0.5
Total	18.5	13.9

Traffic of key competitors at BGA^{27, 28}

Airline	Airline Type	Market Share at BGA in Y2025	Passenger Traffic in Y2025 (in thousands)	Passenger Traffic in Y2024 (in thousands)	Change in Passenger Traffic Year-over-Year
EL AL and Sundor	Full-service carrier (FSC)	37.4%	6,912.0	6,590.5	4.9%
Israir	Low-cost carrier (LCC)	11.3%	2,079.7	1,468.8	41.6%
Arkia	LCC	9.1%	1,679.5	1,040.1	61.5%
Wizz Air	LCC	6.8%	1,258.9	640.0	96.7%
Blue Bird Airways	LCC	4.4%	809.0	525.5	54.0%
Flydubai	LCC	4.3%	801.4	551.3	45.4%
Aegean Airlines	FSC	2.2%	400.7	258.5	55.0%
Etihad Airways	FSC	2.0%	375.6	100.7	273.0%
TUS Airways	FSC	1.8%	341.1	202.4	68.5%
Lufthansa	FSC	1.7%	321.8	150.6	113.7%
United Airlines	FSC	1.4%	264.8	79.4	233.3%
Ethiopian Airlines	FSC	1.1%	204.6	165.8	23.4%

The sharp increase demonstrated by some of the other airlines was primarily driven by their limited operations last year. The number of EL AL and Sundor passengers increased ~19% compared with 2019, whereas the aggregate passenger traffic at BGA dropped ~23% compared with 2019.

Market share of the Company and breakdown of passengers at BGA by airline type²⁹

Type	Y2025	Y2024
EL AL and Sundor	37.4%	47.5%
FSCs (excluding EL AL)	18.9%	14.7%
LCCs	40.0%	34.7%
Charter carriers (excluding Sundor)	3.7%	3.2%

²⁶ These data are based on Israel Airports Authority (IAA) data segmented by direct flight destination and do not identify the passenger's final destination in the case of Sixth Freedom flights.

²⁷ Market share information is based on IAA data. It is clarified that some of the airlines also operate flights to Israel from non-hub airports. The airlines selected are the Company's leading competitors as of shortly before approval of the report. In this context, airlines added or omitted from time to time are updated following a material increase in the airlines' market shares.

²⁸ Henceforth, low-cost airlines shall be referred to as LCCs (Low-Cost Carriers) and the other scheduled airlines shall be referred to as FSCs (Full-Service Carriers). It is clarified that there is no unequivocal definition with respect to airline classification, and the above classification is made according to the Company's discretion. The classification relates to the principal nature of the airlines' operations, and operations may be conducted in hybrid format. The information on the breakdown of passenger traffic is based on IAA data.

²⁹ See Footnote 17 above.

The Company's market shares by geographic region³⁰

Region	Y2025	Y2024
Transatlantic	70.6%	90.7%
Europe	35.6%	44.5%
Middle East & Africa	7.5%	11.1%
Far East	74.6%	75.2%
EL AL and Sundor market share	37.4%	47.5%

Cargo traffic at BGA

In 2025, cargo traffic at BGA increased by ~10.0%, both in the cargo holds of passenger aircraft and in cargo aircraft, compared with last year, whereas the Company's market share decreased from 28.7% to 23.8% due to the gradual return of foreign airlines during 2025.

The table below presents cargo traffic at BGA, broken down by import and export:

Cargo traffic at BGA – import and export³¹

	Y2025	Y2024	Y2025 vs. Y2024
Total cargo (tons in thousands)	380.8	347.7	10%
Cargo import (tons in thousands)	250.5	223.6	12%
Cargo export (tons in thousands)	130.3	124.1	5%

Jet fuel:

Jet fuel prices decreased by ~9.8% in 2025 compared with jet fuel prices in the same period last year. The Company is taking action to offset the impact of the change in jet fuel prices, *inter alia*, by means of hedging transactions according to the amount of its available facilities and in accordance with its hedging policy. For further details regarding the impact of the change in jet fuel prices on the Company's results, see Section A.3 below.

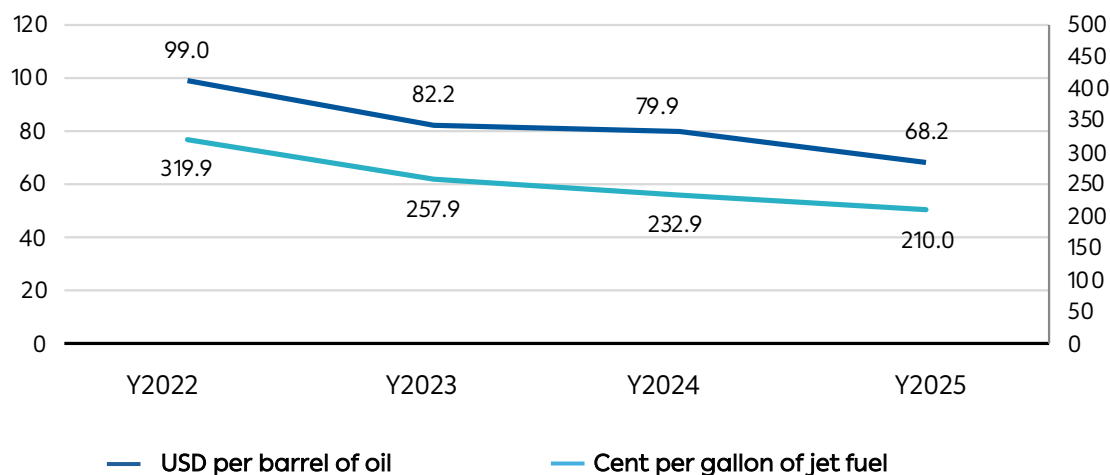
³⁰ The regions in the table also include destinations to which the Company does not fly. Market share calculations are based on both EL AL flights and Sundor flights.

³¹ These data are the Company's estimate based on an analysis of IAA data. The data include cargo transported both in cargo aircraft and in the cargo holds of passenger aircraft.

Development of the average market price of jet fuel and crude oil³²:

USD per barrel

Cent per gallon



Exchange rates:

The table below presents the development of the exchange rates in 2024 and 2025 and in the quarters of these years:

	Average ILS/USD Exchange Rate	ILS/USD Closing Rate	JPY/USD Closing Rate
Q1/2024	3.66	3.68	151.27
Q2/2024	3.73	3.76	160.92
Q3/2024	3.72	3.71	142.53
Q4/2024	3.70	3.65	156.62
Y2024	3.70	3.65	156.62
Q1/2025	3.61	3.72	149.36
Q2/2025	3.58	3.37	144.29
Q3/2025	3.36	3.31	148.04
Q4/2025	3.25	3.19	156.64
Y2025	3.45	3.19	156.64

In 2025, the annual average USD exchange rate weakened against the ILS by ~6.7% compared with last year.

Average exchange rates have an impact on the Company's ILS-denominated expenses, primarily payroll expenses. The strengthening of the average USD exchange rate against the ILS has a positive impact on the Group's operating results, and vice versa; this is due to the fact that the Group's revenues are primarily in USD, whereas payroll and certain headquarters expenses are primarily ILS denominated³³.

As concerns closing rates, as of 31 December 2025, the ILS/USD exchange rate was ~3.19, compared with an exchange rate of ~3.65 as of 31 December 2024, reflecting a depreciation of the USD against the ILS by ~12.5%. These rates impact the Group's balance sheet balances, as these balances are revalued at the end of the period relative to their value at the beginning of the reporting period.

³² Source: The Bloomberg Terminal.

³³ Without accounting for the fact that the strengthening of the ILS against the USD has a positive impact on the Israeli consumer's disposal USD income and a positive impact on the demand for flights.

For details regarding the impact of the aforementioned change in exchange rates on results, see Chapter B of the Board of Directors' Report below.

For the three-month period ended 31 December 2025:

Passenger traffic at BGA – inbound tourists and outbound residents³⁴

		Q4/2025	Q4/2024	Q4/2025 vs. Q4/2024
Passenger traffic at BGA	Flight segments in millions	4.9	3.0	62.1%
Outbound residents	Passengers in millions	2.1	1.4	52.7%
Inbound tourists	Passengers in millions	0.4	0.2	95.1%

Passenger traffic (direct flights³⁵) – passenger segments in millions, by geographic region

Region	Q4/2025	Q4/2024
Transatlantic	0.5	0.3
Europe	3.7	2.2
Middle East & Africa	0.5	0.3
Far East	0.2	0.1
Total	4.9	3.0

³⁴ Outbound residents – by air only. Inbound tourists – by air and excluding day visitors, as defined by the Central Bureau of Statistics (CBS).

³⁵ These data are based on IAA data segmented by direct flight destination and do not identify the passenger's final destination in the case of Sixth Freedom flights.

Traffic of key competitors at BGA^{36, 37}

Airline	Airline Type	Market Share at BGA in Q4/2025	Passenger Traffic in Q4/2025 (in thousands)	Passenger Traffic in Q4/2024 (in thousands)	Change in Passenger Traffic Quarter-over-Quarter
EL AL and Sundor	FSC	32.5%	1,593.7	1,587.8	0.4%
Wizz Air	LCC	11.0%	540.9	2.2	24,330.8%
Israir	LCC	9.2%	449.4	424.6	5.8%
Arkia	LCC	8.1%	396.8	306.0	29.7%
Flydubai	LCC	4.3%	212.1	160.4	32.3%
Blue Bird Airways	LCC	2.9%	143.1	92.1	55.4%
Etihad Airways	FSC	2.8%	136.4	40.1	240.1%
United Airlines	FSC	2.6%	127.6	*	*
Lufthansa	FSC	2.6%	125.9	*	*
Aegean Airlines	FSC	2.1%	104.3	17.3	501.7%
TUS Airways	FSC	1.7%	84.8	53.1	59.6%
Austrian Airlines	FSC	1.4%	70.5	*	*

*The airline operated no flights to/from Israel in Q4/2025.

The sharp increase in passenger traffic for some of the other airlines was primarily driven by their limited operations at BGA in the same quarter last year. In the Current Quarter, the passenger traffic of EL AL and Sundor increased by ~19% compared with the same quarter in 2019, whereas the aggregate passenger traffic at BGA dropped ~16% compared with the same quarter in 2019.

Market share of the Company and breakdown of passengers at BGA by airline type^{38, 39}

Type	Q4/2025	Q4/2024
EL AL and Sundor	32.5%	52.4%
FSCs (excluding EL AL)	25.4%	7.9%
LCCs	40.1%	36.8%
Charter carriers (excluding Sundor)	2.0%	2.9%

³⁶ Market share information is based on IAA data. It is clarified that some of the airlines also operate flights to Israel from non-hub airports. The airlines selected are the Company's leading competitors as of shortly before approval of the report. In this context, airlines added or omitted from time to time are updated following a material increase in the airlines' market shares.

³⁷ Henceforth, low-cost airlines shall be referred to as LCCs (Low-Cost Carriers) and the other scheduled airlines shall be referred to as FSCs (Full-Service Carriers). It is clarified that there is no unequivocal definition with respect to airline classification, and the above classification is made according to the Company's discretion. The classification relates to the principal nature of the airlines' operations, and operations may be conducted in hybrid format. The information on the breakdown of passenger traffic is based on IAA data.

³⁸ The Company has changed the classification of the competing airlines such that henceforth, scheduled airlines shall be classified as FSCs (Full-Service Carriers) (like the Company) and low-cost airlines shall be classified as LCCs (Low-Cost Carriers). Charter carriers shall retain their existing classification. It is clarified that there is no unequivocal definition with respect to airline classification and the above classification is made according to the Company's discretion. The classification relates to the principal nature of the airlines' operations, and operations may be conducted in hybrid format. The information on the breakdown of passenger traffic is based on IAA data.

³⁹ The data for the comparative period were updated retroactively in accordance with the change in the classification of certain airlines.

The Company's market shares by geographic region⁴⁰

Region	Q4/2025	Q4/2024
Transatlantic	53.7%	97.5%
Europe	31.3%	51.0%
Middle East & Africa	7.3%	13.0%
Far East	74.4%	80.2%
EL AL and Sundor market share	32.5%	52.4%

Cargo traffic at BGA

The Current Quarter saw a ~13% increase in cargo traffic at BGA, both in the cargo holds of passenger aircraft and in cargo aircraft, compared with the same quarter last year, whereas the Company's market share decreased from 28.8% to 20.1% in view of the gradual return of foreign airlines in Q4/2025 compared with the same quarter last year.

The table below presents cargo traffic at BGA, broken down by import and export:

Cargo traffic at BGA – import and export⁴¹

	Q4/2025	Q4/2024	Q4/2025 vs. Q4/2024
Total cargo (tons in thousands)	103.4	91.3	13%
Cargo import (tons in thousands)	69.4	59.0	18%
Cargo export (tons in thousands)	34.0	32.3	6%

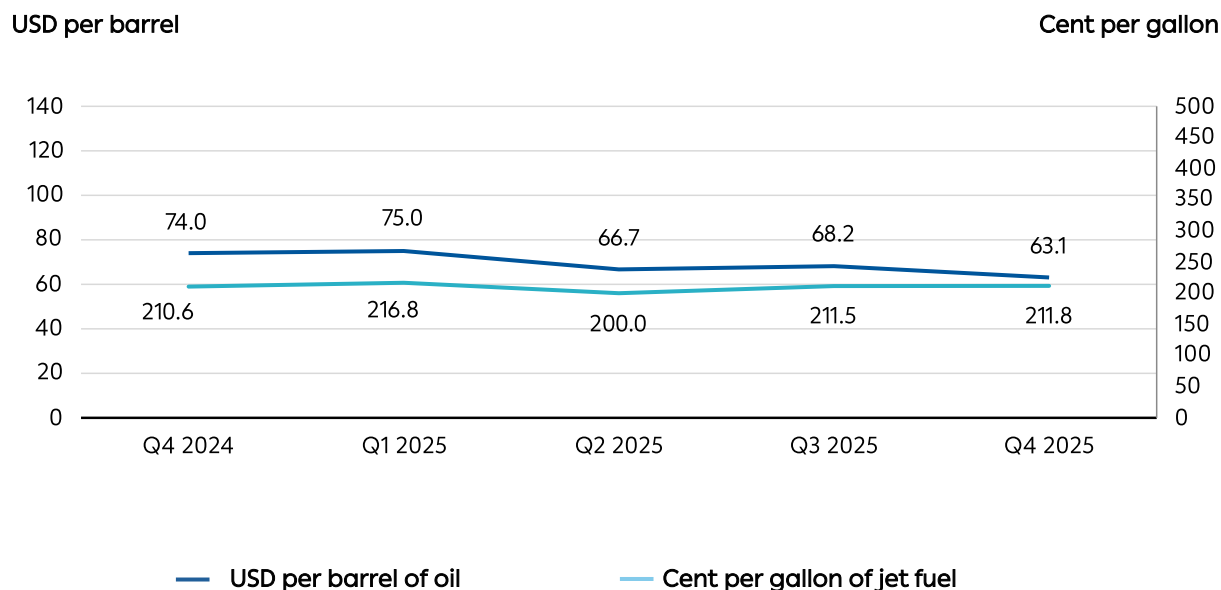
Jet fuel:

In Q4/2025, Jet fuel prices increased by ~0.6% compared with jet fuel prices in the same quarter last year. The Company is taking action to offset the impact of the change in jet fuel prices, *inter alia*, by means of hedging transactions according to the amount of the its available facilities and in accordance with its hedging policy. For further details regarding the impact of the change in jet fuel prices on the Company's results, see Section A.3 below. Of note, the decrease in oil prices, as specified below, was not reflected in a decrease in market jet fuel prices due to an increase in refining margins.

⁴⁰ The regions in the table also include destinations to which the Company does not fly. Market share calculations are based on both EL AL flights and Sundor flights.

⁴¹ These data are the Company's estimate based on an analysis of IAA data. The data include cargo transported both in cargo aircraft and in the cargo holds of passenger aircraft.

Development of the average market price of jet fuel and crude oil⁴²:



Exchange rates:

In Q4/2025, the average USD exchange rate weakened against the ILS by ~12.1% compared with the same quarter last year.

As of 31 December 2025, the ILS/USD exchange rate was ~3.19, compared with an exchange rate of ~3.31 as of 30 September 2025, reflecting a depreciation of the USD against the ILS by ~3.6% between the end and the beginning of the quarter. In the same quarter last year, such change in the USD exchange rate between the end and the beginning of the quarter was reflected in a depreciation of the USD by ~1.7%.

For details regarding the impact of the aforementioned change in exchange rates on results, see Chapter B of the Board of Directors' Report below.

⁴² Source: The Bloomberg Terminal.

A.2.2 Operational metrics⁴³

For the year ended 31 December 2025:

	Y2025	Y2024	Y2025 v. Y2024
Volume of operations and passenger traffic:			
Passenger segments, scheduled and charter (paying passengers) – in thousands	6,785	6,448	5.2%
Total market share – in %	37.4%	47.5%	(21.3)
ASK – in millions (1)	28,824	28,008	2.9%
RPK – in millions	27,024	26,262	2.9%
Passenger load factor (PLF) – in %	93.8%	93.8%	(0.0%)
Flight hours on wide-body passenger aircraft – in thousands	84.6	84.2	0.4%
Flight hours on narrow-body passenger aircraft – in thousands	96.8	91.3	6.0%
Time-weighted number of active aircraft	47.1	44.2	6.5%
Cargo traffic:			
Tons of transported cargo – in thousands	82.5	90.6	(9.0%)
RTK – in millions	478.7	528.3	(9.4%)
Profitability metrics:			
RRPK	11.70	11.74	(0.3%)
RASK	10.97	11.00	(0.3%)
TRASK	12.06	12.25	(1.6%)
CASK (2)	10.07	9.51	5.8%
CASK excluding fuel (2)	8.04	7.37	9.0%

(1) See explanation below.

(2) See explanation below.

⁴³ The operational metrics included in this section also include flights operated by aircraft under wet lease (leasing of an aircraft together with its crew, maintenance and security).

For the three-month period ended 31 December 2025:

The table below presents the Group's operational metrics. See also the above introduction to the Board of Directors' Report and Section A.1 above with respect to key data.

	Q4/2025	Q4/2024	Q4/2025 v. Q4/2024
Volume of operations and passenger traffic:			
Passenger segments, scheduled and charter (paying passengers) – in thousands	1,571	1,554	1.1%
Total market share – in %	32.5%	52.4%	(38.0%)
ASK – in millions (1)	6,910	6,609	4.6%
RPK – in millions	6,404	6,357	0.7%
Passenger load factor (PLF) – in %	92.7%	96.2%	(3.7%)
Flight hours on wide-body passenger aircraft – in thousands	21.0	19.9	5.8%
Flight hours on narrow-body passenger aircraft – in thousands	22.3	21.8	2.4%
Time-weighted number of active aircraft	46.5	45.2	2.9%
Cargo traffic:			
Tons of transported cargo – in thousands	18.6	24.0	(22.4%)
RTK – in millions	113.7	137.0	(17.0%)
Profitability metrics:			
RRPK	12.16	11.96	1.6%
RASK	11.26	11.50	(2.0%)
TRASK	12.33	12.89	(4.3%)
CASK (2)	10.79	10.20	5.8%
CASK excluding fuel (2)	8.72	8.19	6.5%

(1) See explanation below.

(2) See explanation below.

Legend

Passenger segment	One-way flight voucher.
Revenue Passenger Kilometer – RPK	Number of paying passengers multiplied by the flight distance.
Available Seat Kilometer – ASK	Number of seats offered for sale multiplied by the flight distance
Passenger Load Factor – PLF	RPK/ASK
Average Revenue per RPK – RRPK	Reflects the average revenue per paying passenger-kilometer.
Revenue per ASK – RASK	Passenger revenues divided by ASK. Reflects the average revenue per available seat kilometer.

Cost per ASK – CASK	Operating expenses ⁴⁴ divided by ASK. Reflects the average cost per available seat kilometer.
Total Revenue per ASK – TRASK	Total revenue divided by ASK. Reflects the Company's total revenues per available seat kilometer.
Revenue Ton Kilometer – RTK	Weight, in tons, of paid cargo transport multiplied by the flight distance.

- (1) The increase of ~2.9% and ~4.6% in ASK, compared with the corresponding year and compared with the corresponding quarter last year, respectively, was mainly due to the continued expansion of its production capacity and aircraft fleet, as set out in Chapter A.2.3 below. The increase in capacity in 2025 was despite the impact of Operation Rising Lion, which resulted in a decrease of ~36.6% in ASK in June 2025 compared with the same month last year.
- (2) The increase in CASK excluding fuel in 2025 and in Q4/2025 arose primarily from price increases in the macroeconomic environment, and particularly in the business environment in which the Group operates (for further details, see Section A.2.1 above), as well as from the strengthening of the ILS against the USD and from one-time expenses recognized in the Current Quarter (for further details, see Chapter A.3 below). The increase in 2025 was also affected by the suspension of operations in June 2025 due to Operation Rising Lion while incurring the Company's costs, as specified in Section A.3 below.

⁴⁴ Operating expenses exclude certain one-time items presented under 'Other expenses (income)' item in the statement of profit and loss.

A.2.3 Production capacity – aircraft fleet

The table below presents the Company's aircraft fleet as of the report date and the date of the report last year:

Aircraft Fleet (Passenger and Cargo):	Y2025	Y2024
Number of self-operated aircraft at end of period – in units	48	47
Number of self-operated serviceable aircraft at end of period – in units	47	45
Average age of self-operated aircraft fleet at end of period – in years	14.5	13.8
Time-weighted number of additional (over and above self-operated) active aircraft operated under wet leases (weighted average)	5	3

The table below presents a breakdown of the aforesaid aircraft fleet and type of self-operated aircraft as of 31 December 2025:

Aircraft Fleet:	Aircraft Type	Average Number of Seats per Aircraft Type	In-Service Aircraft	Out-of-Service Aircraft	Total	Average Age	Owned	Leased
737-800	Passenger – narrow body	169	16	-	16	21.3	11	5
737-900	Passenger – narrow body	175	8	-	8	11.0	8	-
777-200	Passenger – wide body, Dreamliner configuration	313	3	-	3	20.6	3	-
777-200	Passenger – wide body	279	2	1	3	24.6	3	-
787-8 (Dreamliner)	Passenger – wide body	238	4	-	4	5.1	4	-
787-9 (Dreamliner)	Passenger – wide body	271	13	-	13	6.8	5	8
737-800	Cargo – Narrow body	-	1	-	1	23.6	-	1
Total self-operated aircraft			47	1	48	14.5	34	14

The table below presents aircraft operated under wet lease as of 31 December 2025:

Aircraft Type	Average Number of Seats per Aircraft in 2025	Number of In-Service Aircraft as of 31 December 2025
Passenger – narrow-body aircraft	187	3
Cargo	-	*1

*In addition to the data in the above tables with respect to the Company's use of cargo aircraft, both self-operated aircraft and aircraft under wet lease, the Company occasionally operates cargo flights by using other aircraft under wet lease and by purchasing capacity on cargo flights, according to the Company's needs.

Expansion of the Boeing 787 (wide body) aircraft fleet

- **Receipt of the 17th aircraft in Q2/2025:** Further to Section A.2.3 of the "Board of Directors' Report on the State of the Corporation's Business" chapter of the 2024 Periodic Report, the 17th Boeing 787 aircraft was delivered to the Company in Q2/2025. See Note 14.E(1) to the financial statements regarding the signing of agreements for the financing of the said aircraft.

- **Engine acquisition:** Further to Note 10.B(4) to the financial statements, in Q4/2025, the Company signed a memorandum of understanding with Rolls-Royce, accelerating the arrival of the (seventh) replacement engine which was delivered to the Company in Q4/2025, with the Company undertaking the execution of an agreement for acquisition of the engine by Q1/2026.
- **The Company's plans for continued procurement:** See Note 10.B to the financial statements.

Continued return to service of the Boeing 777 (wide body) aircraft fleet

- **For details,** see Note 10.D. to the financial statements.

Expansion of the Boeing 737 (narrow body) aircraft fleet

- **Acquisition of two additional aircraft:** In Q3/2025, the Company signed an agreement with a foreign company for the acquisition of two Boeing 737-800 aircraft manufactured in 2014. For details, see Note 10.E to the financial statements.
- **The Company's plans to acquire 737 MAX aircraft:** See Note 10.C to the financial statements.

Wet leases

- In 2025, the Company entered into wet lease agreements with a foreign lessor for Boeing 737-800 aircraft, such that over the year's course, up to five aircraft were operated under wet lease for various periods of time. Furthermore, in 2025, the Company operated an Airbus 300-600 cargo aircraft wet leased from a foreign lessor, with whom the Company entered into an agreement through the end of 2026. In February 2026, after the date of the statement of financial position, the Company signed a wet lease agreement with a foreign lessor for two additional Boeing 737-800 aircraft for the 2026 summer season.

Passenger aircraft fleet expected in 2026

The following table presents the number of the Company's in-service passenger aircraft operating in 2026:

Aircraft Fleet	In-Service Aircraft Fleet as of End of 2025	Aircraft Acquisition and Return to Service in 2026	Aircraft Fleet expected in 2026
787 Dreamliner	17	+1	18
777 Wide Body	5	+1	6
737 Narrow Body	24	+2	26
Aircraft operated under wet leases (on a time-weighted average basis)	4	+1	5
Total	50	+5	55

Of note, the acquisition of aircraft in 2026, as specified in the above table, exceeds the expansion of the aircraft fleet under the Company's strategic plan as updated in Q1/2025 (for details, see Section 8.15 of the Description of the Corporation's Business chapter of the Periodic Report for 2024). Such additional acquisition aims to address the increasing demand at BGA as set out in Section A.2.1 above.

The Company's forecasts as set out above, including with respect to the dates of delivery of additional aircraft, the return to service of another Boeing 777 aircraft and its Dreamliner reconfiguration, the expected delivery of wet leased aircraft and the acquisition of additional engines, constitute forward-looking information as defined in the Securities Law, and are based on data, assumptions, estimates and forecasts that may change, in whole or in part, or materialize in a different, and even materially different, manner than currently expected, and also largely dependent on third parties and their activities as well as the occurrence of events beyond the Company's control. Any change in the aforesaid assumptions and forecasts, as well as the materialization of any of the risk factors relevant to the Company and its operations (as specified in Section 8.16 of the Description of the Corporation's Business chapter of this report), may affect, and even materially affect, actual results and the implementation of the Group's strategic plan.

A.3 Analysis of the Company's business results

For the year ended 31 December 2025:

The following table presents the consolidated income statements, including the percentage of the revenues and the rate of change compared with the last year, as well as the key factors that affected the Group's results in the reported year compared with last year:

	Y2025		Y2024		Y2025 v. Y2024	
	USD in millions	% of revenues	USD in millions	% of revenues	USD in millions	%
Revenues from operations:	3,476.0	100.0%	3,432.2	100.0%	43.8	1.3%
Operating expenses:						
Fuel	584.7	16.8%	600.6	17.5%	(15.8)	(2.6%)
Payroll and related expenses	855.0	24.6%	732.9	21.4%	122.2	16.7%
Airport fees and services and air navigation fee	364.6	10.5%	332.8	9.7%	31.8	9.6%
Maintenance	128.5	3.7%	106.7	3.1%	21.8	20.5%
Food, passenger service and other operating costs	257.7	7.4%	223.0	6.5%	34.8	15.6%
Marketing and distribution expenses	197.8	5.7%	194.0	5.7%	3.8	2.0%
Depreciation and amortization	272.6	7.8%	266.3	7.8%	6.3	2.4%
Leases	99.7	2.9%	76.3	2.2%	23.4	30.7%
IT and HQ expenses	140.2	4.0%	131.0	3.8%	9.2	7.0%
Other expenses (revenues), net	24.6	0.7%	(4.0)	(0.1%)	28.6	(713.8%)
Total operating expenses	2,925.5	84.2%	2,659.4	77.5%	266.1	10.0%
Operating income	550.5	15.8%	772.7	22.5%	(222.2)	(28.8%)
Financing expenses, net	(3.6)	(0.1%)	(95.1)	(2.8%)	91.6	(96.2%)
Income before taxes on income	546.9	15.7%	677.6	19.7%	(130.7)	(19.3%)
Tax expenses	(136.6)	(3.9%)	(132.6)	(3.9%)	(3.9)	3.0%
Net income for the year	410.3	11.8%	544.9	15.9%	(134.6)	(24.7%)

Revenues from operations

In 2025, revenues from operations increased by approx. USD 43.8 million, ~1.3%, compared with revenues from operations last year. Revenues from passenger transport in 2025 increased by ~2.6% compared with the same period last year (approx. USD 78.8 million), and, on the other hand, revenues from cargo transport decreased by ~20.2% compared with last year (approx. USD 53.8 million). In addition, related revenues increased ~22.7% compared with last year (approx. USD 18.9 million).

Since load factors (PLF) and revenue per passenger (RRPK) are unchanged year-over-year (for details, see Section A.2.2), the increase in revenues from passenger transport primarily results from the continued growth in ASK supply, reflected as ~2.9% in the said period compared with last year. The increase in capacity is facilitated by the continued expansion of the Company's aircraft fleet and production capacity, as specified in Section A.2.3 In addition, such increased capacity is despite the suspension of flight operations during Operation Rising Lion, and the increase in revenues from passenger transport is despite a provision (revenue reduction) recognized in respect of the indemnification of passengers whose

flights were cancelled due to the Operation for assistance services as specified in Note 12 to the financial statements.

The aforesaid decrease in cargo revenues results from a decrease both in the volume of cargo flown and in the yield per RTK (Revenue Ton Kilometer), in view of the decline in market share, primarily in the transport of cargo in the cargo holds of passenger aircraft as specified in Section A.2.1 above.

The increase in related revenues primarily results from an increase of ~47.8% (approx. USD 12.3 million) in respect of a loyalty program component (see Note 20.A to the financial statements), due to an increase in the number of branded credit cards (Flycard) and in credit card transaction volumes in respect thereof, as well as the strengthening of the ILS against the USD (as most of the revenues from the loyalty program component are denominated in ILS).

Operating expenses

Operating expenses in 2025 totaled approx. USD 2,925.5 million, representing an increase of approx. USD 266.1 million (~10.0%) compared with last year. The increase in operating expenses and their percentage out of the revenue (~84.2% compared with ~77.5% last year) results from several factors, chief of which are the expansion of operations, price increases in the macroeconomic environment in general, and in costs relating to the aviation industry in particular, as well as the strengthening of the ILS against the USD and non-recurring provisions for legal proceedings. In addition, the percentage of the expenses out of the revenue was also affected by Operation Rising Lion, given the fact that during the suspension of operations due to the Operation, the Group continued to incur fixed costs and also sustained incremental costs as a result of the Operation, such as aircraft parking fees due to their relocation to alternate airports abroad, hotel and per diem expenses for crews stationed abroad during the Operation, crew transfers abroad, passenger maritime evacuation via a shipping company, and other costs, in addition to a provision recognized as revenue reduction in respect of passenger indemnification, as specified in Note 12 to the financial statements.

Below are several key points regarding operating expenses in 2025:

- **Jet fuel expenses** of the Company decreased by approx. USD 15.8 million (down ~2.6%) compared with the last year, whereas the rate thereof as a percentage of the revenue constituted ~16.8% compared with ~17.5% last year.

On the one hand, the quantity of the jet fuel consumed increased, and on the other hand, fuel expenses decreased primarily due to a decrease in jet fuel prices of ~9.8% (before the effect of hedging) compared with last year. Such decrease in the price of fuel was offset by a provision recorded by the Group in respect of the CORSIA program in the amount of approx. USD 8.4 million, which was charged to fuel expenses. For details, see Note 12 to the financial statements.

For further details regarding jet fuel price hedging, see Chapter B below. For further details regarding the effect of derivative financial instruments on the financial statements, see Note 19 to the financial statements. The table below presents jet fuel expenses, including the effect of hedging and the effect of the CORSIA program expenses in the 2025 compared with last year.

	Y2025	Y2024	Y2025 vs. Y2024
	USD in millions		
Jet fuel expenses for the period (before hedging effect)	567.8	593.1	(25.3)
Effect of jet fuel hedging transactions on operating income	8.5	7.5	1.0
Expenses in respect of the CORSIA program	8.4	-	8.4
Total jet fuel expenses	584.7	600.6	(15.8)
Quantity of jet fuel consumed (gallons in millions)	241.0	234.1	6.9

- **Payroll expenses** totaled approx. USD 855.0 million in the 2025, representing ~24.6% of the revenues (compared with ~21.4% last year). The increase of approx. USD 122.2 million in total expenses compared with last year mainly results from the strengthening of the ILS against the USD by ~6.7%, leading to an increase of approx. USD 61.9 million (including the effect of hedging and including the effect of revaluation of the Group's actuarial liabilities. For details, see Note 20.B to the financial statements), since the vast majority of the Group's payroll expenses is denominated in ILS, and also results from the growth in the volume of operations and the impact of wage agreements signed with the employee committees and the General Federation of Labor (the *Histadrut*). The growth of the Company's workforce is driven by the expansion of its production capacity, which enables it to continue to meet, to the extent possible, the rising market demand, and prepare toward continued acquisitions and expansion of the Company's aircraft fleet.

It is clarified that during Operation Rising Lion, the Group continued to pay salaries to all of its employees, despite the fact that its operations were suspended for a while, which also contributed to an increase in the percentage of payroll expenses out of revenues, because during the Operation, the Group's revenues were significantly reduced, and the Group also recognized a revenue reduction in respect thereof due to passenger indemnification under the Aviation Services Law, as specified in Note 12 to the financial statements. Net of the decrease in revenue due to Operation Rising Lion and net of the effects of the ILS/USD exchange rates, the increase in the percentage of payroll expenses out of revenues in 2025 was more moderate relative to the same period last year.

- The 'Airport fees and services' and 'Food, passenger service and other operating costs' items increased by approx. USD 31.8 million and approx. USD 34.8 million, respectively, compared with last year, primarily as a result of the expansion of operations and price increases in the macroeconomic environment, as well as the depreciation of the USD against the Euro and the ILS in 2025 compared with last year. Part of the increase in other operating expenses in 2025 results from an increase of approx. USD 4.5 million relative to last year in respect of security expenses, predominantly deriving from a reduction of the rate of the State's participation in security expenses, such that in 2025 the rate of the Group's participation in security expenses rose from 2.5% to 5% of the total security expenses (for the update of the rate of the State's participation in security expenses, see the introduction above).
- The table below presents **marketing and distribution expenses**:

	Y2025	Y2024	Y2025 vs. Y2024
USD in millions			
Agent and credit card commissions	145.9	133.0	12.9
Distribution system expenses	33.4	37.9	(4.5)
Advertising and marketing expenses	18.6	23.2	(4.6)
Total marketing and distribution expenses	197.8	194.0	3.8

This item increased by approx. USD 3.8 million (~2.0%) compared with last year. These expenses represented ~5.7% of revenues, similar to their percentage of the revenues last year. Agent and credit card commission expenses increased primarily due to the increase in the amount of revenues from passenger flights compared with last year, and due to the reclassification of digital commission expenses from the 'Advertising and marketing expenses' item to the 'Agent and credit card commissions' item, thereby contributing also to the decrease in marketing and advertising expenses.

- The 'Depreciation and amortization' item increased by approx. USD 6.3 million (~2.4%) compared with last year. The increase in depreciation and amortization expenses mainly derives from an increase in the Company's operations in 2025 compared with last year (leading to an increase in the consumption of spares and engine hours) and the expansion of the aircraft fleet and flight equipment, as well as an increase depreciation and amortization in respect of other fixed assets and intangible assets as a result of the Group's investments in this area, chiefly in cyber and information systems. Furthermore, their percentage out of the revenues in 2025 was ~7.8%, which is similar to their percentage of the revenues last year.

- **The 'Leases'** item (which mainly consists of wet lease expenses, most of the dry lease expenses are recognized under the 'Depreciation' and 'Financing' items according to IFRS 16), increased by approx. USD 23.4 million (~30.7%) compared with last year, primarily due to an increase in the operation of aircraft under wet lease, as part of the Group's response to the scope of the demand for the Group's flights. For further details, see Section A.2.3 above. In addition, these expenses represented ~2.9% of the revenues in 2025 compared with ~2.2% last year.
- **IT and HQ** costs increased by approx. USD 9.2 million (~7.0%) compared with last year, mainly as a result of an increase in HQ expenses related to the operation of the Company, which are affected by the expansion of operations, e.g., professional services and consultation, as well as an increase in IT expenses given the Group's investment of resources in this area, including in cyber, and as a result of an increase in provisions for lawsuits. These expenses represented ~4.0% compared with 3.8% last year.
- **Other expenses, net** totaled a negative sum of approx. USD 24.6 million, which consists of several factors, including a provision for an expense for previous years in respect of the CORSIA program, positive revaluation of the phantom option recognized by the Group and one-time provisions in respect of legal proceedings. Last year, other revenues totaled a positive sum of approx. USD 4.0 million, mainly as a result of approx. USD 15.0 million in value recovery in respect of a 777-200 Boeing aircraft and as a result of recognition of a positive revaluation of the phantom option, offset by non-recurring expenses recognized in respect of employee benefits for previous years.

Operating income

In 2025, operating income totaled approx. USD 550.5 million (15.8% of the revenues) – a sum of approx. USD 222.3 million lower than the operating income last year (22.5% of the revenues). See details in Section A.1 of the Board of Directors' Report.

Financing expenses, net

Net financing expenses totaled approx. USD 3.6 million in 2025, compared with approx. USD 95.1 million last year – down approx. USD 91.6 million. The decrease in net financing expenses, nearly eliminating the expense, mainly derives from an increase in the income from surplus cash and readily available liquid resources which totaled approx. USD 93.7 million in 2025, and from a decrease in interest expenses in respect of loans and leases in view of the decrease in the debt burden, as well as the effect of exchange rate differences.

Taxes on income

Income tax expenses totaled approx. USD 136.6 million in 2025, an increase of USD 3.9 million compared with last year, despite the decrease in income before tax, mainly as a result of an increase in expenses recognized by the Group and not deductible for tax purposes. Of note, in 2024, tax expenses were positively affected primarily due to the recognition of a tax asset in respect of previous years.

Income before taxes on income and net income

Income before taxes on income totaled approx. USD 546.9 million in 2025, compared with approx. USD 677.6 million last year. Net income totaled approx. USD 410.3 million in 2025, compared with approx. USD 544.9 million last year.

For the three-month period ended 31 December 2025:

The following table presents the consolidated income statements, including the percentage of the revenues and the rate of change compared with the same quarter last year, as well as the key factors that affected the Group's results in the Current Quarter compared with the same quarter last year, as specified below:

	Q4/2025		Q4/2024		Q4/2025 vs. Q4/2024	
	USD in millions	% of revenues	USD in millions	% of revenues	USD in millions	%
Revenues from operations:	851.7	100.0%	851.6	100.0%	0.1	0.0%
Operating expenses:						
Fuel	143.1	16.8%	133.0	15.6%	10.1	7.6%
Payroll and related expenses	226.1	26.5%	196.9	23.1%	29.2	14.8%
Airport fees and services and air navigation fee	87.6	10.3%	79.1	9.3%	8.5	10.8%
Maintenance	39.2	4.6%	26.3	3.1%	12.9	48.8%
Food, passenger service and other operating costs	65.1	7.6%	56.1	6.6%	9.0	16.1%
Marketing and distribution expenses	55.6	6.5%	50.5	5.9%	5.0	10.0%
Depreciation and amortization	70.5	8.3%	71.4	8.4%	(0.9)	(1.2%)
Leases	21.1	2.5%	25.7	3.0%	(4.6)	(17.8%)
IT and HQ expenses	36.2	4.3%	34.5	4.0%	1.7	5.0%
Other expenses, net	36.2	4.3%	11.1	1.3%	25.1	226.3%
Total operating expenses	780.7	91.7%	684.6	80.4%	96.1	14.0%
Operating income	71.0	8.3%	166.9	19.6%	(95.9)	(57.5%)
Financing income (expenses), net	2.5	0.3%	(28.0)	(3.3%)	30.4	(108.8%)
Income before taxes on income	73.5	8.6%	139.0	16.3%	(65.5)	(47.1%)
Tax expenses	(27.2)	(3.2%)	(9.4)	(1.1%)	(17.9)	191.0%
Net income for the period	46.2	5.4%	129.6	15.2%	(83.4)	(64.3%)

Revenues from operations

In the Current Quarter, revenues from operations remained without material change compared with the same quarter last year. Revenues from passenger transport in Q4/2025 increased by ~2.4% compared with the same quarter last year (approx. USD 18.1 million). Conversely, cargo revenues in Q4/2025 decreased by ~38.2% compared with cargo revenues in the same quarter last year (approx. USD 27.6 million). Related revenues in Q4/2025 increased by ~50.4% compared with related revenues in the same quarter last year (approx. USD 9.6 million).

The increase in revenues from passenger transport in the Current Quarter compared with the same quarter last year mainly derives from an increase in the capacity offered by the Group, reflected in an increase of ~4.6% in ASK compared with the same quarter last year, due to the increase in the Group's aircraft fleet as set out in Section A.3.2, offset against a decrease in the load factor to a level of ~92.7% (compared with 96.2% in the same quarter last year), which led to a decrease of ~2.1% in RASK. The said load factor is high relative to the season and reflects a strong demand for the Group's flights, particularly relative to the season, although it is still lower than the load factor in the same quarter last year, which featured an even stronger trend of high demand for the Group's flights.

The aforesaid decrease in cargo revenues results from a decrease both in the volume of cargo flown and in the yield per RTK given the increase in the operations of foreign airlines, whose effect on cargo operations is quicker and more acute than its effect on passenger operations, leading to a decline in the Company's market share.

The increase in related revenues primarily results from an increase of ~105.3% (approx. USD 12.7 million in the Current Quarter compared with USD 6.2 million in the same quarter last year) in respect of a loyalty program component (for details, see Note 20.A to the financial statements), in view of an increase in the number of branded credit cards (Flycard) and in credit card transaction volumes in respect thereof, as well as the strengthening of the ILS against the USD (as most of the revenues from the loyalty program component are denominated in ILS).

Operating expenses

Operating expenses totaled approx. USD 780.7 million in Q4/2025, representing an increase of approx. USD 96.1 million (~14.0%) compared with the same quarter last year, primarily as a result of the expansion of operations, price increases in the macroeconomic environment in general, and in costs relating to the aviation industry in particular, provisions in respect of lawsuits, as well as the strengthening of the ILS against the USD (for further details, see Chapter A.2.1 above). Therefore, the rate of operating expenses as a percentage of the revenue in Q4/2025 was ~91.7% compared with ~80.4% in the same quarter last year.

Below are several key points regarding the operating expenses in Q4/2025:

- **Jet fuel expenses** of the Company increased by approx. USD 10.1 million (up ~7.6%) compared with the same quarter last year, such that the rate thereof as a percentage of the revenue in the Current Quarter constituted ~16.8% compared with ~15.6% of the revenues in the same quarter last year. For details regarding exposure to changes in jet fuel prices, see Chapter B below.

Fuel expenses increased both as a result of increased consumption, also in correspondence with the expansion of operations, and as a result of a jet fuel price increase of ~0.6% (before the effect of hedging) compared with the same quarter last year. In addition, in the Current Quarter the Group recorded a provision of approx. USD 2.4 million in respect of the CORSIA program, which was charged to jet fuel expenses (out of which a sum approx. USD 0.4 million is in respect of an adjustment of the provision that was recognized in respect of previous quarters this year, and the remaining amount is in respect of a current provision for the Current Quarter). For details, see Note 12 to the financial statements.

For further details regarding jet fuel price hedging, see Chapter B below. For further details regarding the effect of derivative financial instruments on the financial statements, see Note 19 to the financial statements. The table below presents the jet fuel expenses, including the effect of hedging and the effect of CORSIA program expenses in the Current Quarter compared with the same quarter last year.

	Q4/2025	Q4/2025	Q4/2025 vs. Q4/2024
	USD in millions		
Jet fuel expenses for the period (before hedging effect)	139.6	129.9	9.7
Effect of jet fuel hedging transactions on operating income	1.1	3.2	(2.1)
Expenses in respect of the CORSIA program	2.4	-	2.4
Total jet fuel expenses	143.1	133.0	10.1
Quantity of jet fuel consumed (gallons in millions)	58.1	56.7	1.4

- **Payroll expenses** totaled approx. USD 226.1 million in the Current Quarter, representing ~26.5% of revenues (compared with ~23.1% in the same quarter last year).

The increase of approx. USD 29.2 million in total expenses compared with the same quarter last year mainly results from the strengthening of the ILS against the USD by ~12% compared with the same quarter last year, leading to an increase of approx. USD 22.0 million (including the effect of hedging and including the effect of revaluation of the Group's actuarial liabilities. For details, see Note 20.B to the financial statements), since the vast majority of the Group's payroll expenses is denominated in ILS, and also results from the growth in the volume of operations and the impact of wage agreements signed with the employee committees and the General Federation of Labor (the *Histadrut*).

Of note, the growth of the Company's workforce is driven by the expansion of its production capacity, which enables it to continue to meet, insofar as possible, the rising market demand, and to make more efficient use of its means of production, thereby increasing capacity.

- The 'Airport fees and services' and 'Food, passenger service and other operating costs' items increased by approx. USD 8.5 million and approx. USD 9.0 million, respectively, compared with the same quarter last year, primarily as a result of the expansion of operations and price increases in the macroeconomic environment, as well as the depreciation of the USD against the Euro and the ILS in the Current Quarter compared with the same quarter last year. Part of the increase in other operating expenses in the Current Quarter results from an increase of approx. USD 1.6 million relative to the same quarter last year in respect of security expenses, predominantly deriving from a reduction of the rate of the State's participation in security expenses, such that in the Current Quarter, the rate of the Group's participation in security expenses rose from 2.5% to 5% of the total security expenses (for the update of the rate of the State's participation in security expenses, see the introduction above).
- The table below presents **marketing and distribution expenses**:

	Q4/2025	Q4/2024	Q4/2025 vs. Q4/2024
USD in millions			
Agent and credit card commissions	38.1	34.2	3.9
Distribution system expenses	7.7	9.5	(1.7)
Advertising and marketing expenses	9.7	6.8	2.8
Total marketing and distribution expenses	55.6	50.5	5.0

This item as a whole increased by approx. USD 5.0 million (~10.0%) compared with the same quarter last year. These expenses represented ~6.5% of revenues relative to their rate as a percentage of the revenues in the same quarter last year, which was ~5.9%. The increase in advertising and marketing expenses mainly derived from campaign costs in the Current Quarter exceeding such costs in the same quarter last year. On the other hand, the 'advertising' item decreased due to the reclassification of digital commission expenses from the 'Advertising and marketing expenses' item to the 'Agent and credit card commissions' item, thereby contributing to the increase in the 'Agent and credit card commissions' item.

- The 'Depreciation and amortization' item decreased by approx. USD 0.9 million (~1.2%) compared with the same quarter last year. The decrease in depreciation and amortization expenses is primarily due to a change in estimate in respect of the depreciation of rotatables performed last year. Conversely, depreciation expenses increased following an increase in depreciation and amortization in respect of other fixed assets and intangible assets and the expansion of the aircraft fleet and flight equipment. Their rate as a percentage of the revenues in the Current Quarter was ~8.3% compared with ~8.4% in the same quarter last year.
- The 'Leases' item (which mainly consists of wet lease expenses, in view of the fact that most of the dry lease expenses are recognized under the 'Depreciation' and 'Financing' items according to IFRS 16), decreased by approx. USD 4.6 million (~17.8%) compared with the same quarter last year, primarily due to a decrease in the purchase of capacity on cargo flights. Conversely, there was a moderate increase in the operation of aircraft under wet lease, which are used by the Company as part of the

Group's response to the scope of demand for the Group's flights. For further details, see Section A.2.3 above. In addition, these expenses represented ~2.5% of the revenues in the Current Quarter compared with a rate of ~3.0% as a percentage of revenues in the same quarter last year.

- **IT and HQ** costs increased compared with the same quarter last year by approx. USD 1.7 million (~5.0%), mainly as a result of an increase in IT expenses in view of the Group's investments in this area, including in cyber.
- **Other expenses, net** totaled a negative sum of approx. USD 36.2 million in the Current Quarter, which consists of several factors, including a provision for an expense for previous years in respect of the CORSIA program, positive revaluation of the phantom option recognized by the Group and non-recurring provisions in respect of legal proceedings. In the same quarter last year, other expenses (net) totaled approx. USD 11.1 million, which mainly resulted from one-time expenses recognized in respect of employee benefits for previous years offset by a revaluation of the phantom option.

Operating income

Operating income totaled approx. USD 71.0 million in Q4/2025 (8.3% of the revenues), approx. USD 95.9 million (57.5%) lower than the operating income in the same quarter last year, which totaled approx. USD 166.9 million (19.6% of the revenues). See details in Section A.1 of the Board of Directors' Report.

Financing income (expenses), net

Net financing income (expenses) totaled a positive sum (i.e., financing income) of approx. USD 2.5 million in Q4/2025 compared with a negative sum (financing expenses) of approx. USD 28.0 million in the same quarter last year, improving by approx. USD 30.4 million. The improvement in the 'Net financing' item mainly derives from an increase in the income from surplus cash and readily available liquid resources which totaled approx. USD 25.6 million in the Current Quarter – for further details, see Note 3 to the financial statements – and from a decrease in interest expenses in respect of loans and leases in view of a decrease in the debt burden compared with the same quarter last year, *inter alia*, as a result of the prepayment of part of the Phoenix loan in the sum of USD 30 million performed last year, and as a result of changes in exchange rate differences.

Taxes on income

Income tax expenses totaled approx. USD 27.2 million in Q4/2025, which increased in the Current Quarter relative to the same quarter last year despite the decrease in income before tax, primarily due to an increase in expenses recognized by the Group and not deductible for tax purposes. Of note, in the same quarter last year, tax expenses were positively affected primarily due to the recognition of a tax asset in respect of previous years.

Income before taxes on income and net income

Income before taxes on income totals approx. USD 73.5 million in Q4/2025 compared with approx. USD 139.0 million. Net income totaled approx. USD 46.2 million in Q4/2025 compared with approx. USD 129.6 million last year.

A.4 Seasonality

Under normal conditions, the Group's operations are affected by seasonality and centers on peak periods, primarily during the summer and holiday seasons. For the business environment and market development at the present time, see the introduction to this Board of Directors' Report and Section A.2.1 above.

A.5 Cash flow including liquid investments

Cash flows for the year ended 31 December 2025:

	Y2025	Y2024	Y2025 vs. Y2024
	USD in millions		
Opening balance of cash and cash equivalents, including readily available liquid resources*	1,443.8	405.7	1,038.1
Net cash flows generated by operating activities	1,046.2	1,445.4	(399.3)
Net cash flows used for investing activities**	(389.4)	(200.5)	(189.0)
Net cash flows used for financing activities	(169.1)	(198.1)	29.0
Effect of exchange rate changes on cash balances, including readily available liquid resources held in foreign currency*	29.6	(8.7)	38.4
Increase in cash and cash equivalents, including readily available liquid resources*	517.2	1,038.1	(520.8)
Closing balance of cash and cash equivalents, including readily available liquid resources*	1,961.0	1,443.8	517.3

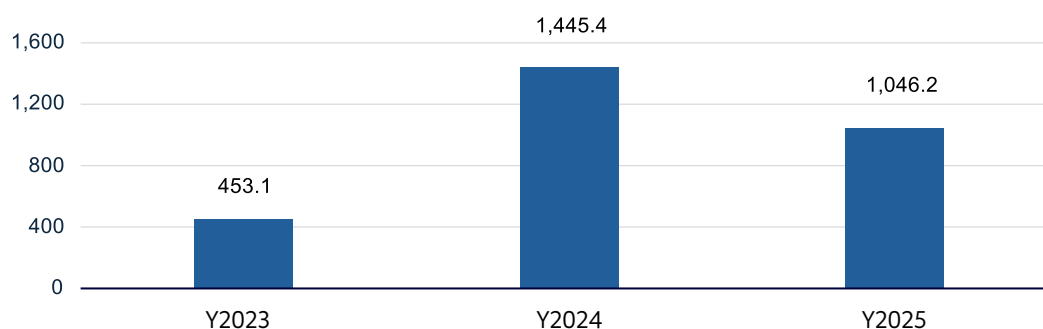
*The Group's readily available liquid resources constitute, for purposes of this disclosure, liquid resources, although they are not part of the 'cash and cash equivalents' item according to GAAP ("readily-available deposits with a term of no more than three months") and therefore are not classified as cash and cash equivalents in the Group's statement of financial position. For details regarding the Group's cash and cash equivalents, see the consolidated statements of cash flows in the financial statements. For further details with respect to the composition of the liquid resources, see Note 4 to the financial statements.

**Net of investments in such readily available liquid resources.

Cash flows from operating activities

In 2025, the Group generated a positive cash flow of approx. USD 1,046.2 million from operating activities, compared with a positive cash flow of approx. USD 1,445.4 million in the same period last year. The decrease of approx. USD 399.2 million mainly results from changes in the working capital, as the increase in the deferred revenue balance and in the order backlog in 2024 (relative to such balance at the end of 2023) was significantly higher than the change in 2025, in which the deferred revenue balance remained strong but stable, and thus there was no increase in the deferred revenue balance. In addition, the decrease in income before tax also contributed to the decrease in cash flow from operating activities. The aforesaid notwithstanding, cash flow from operating activities in 2025 exceeds the cash flow from operating activities in 2023 by approx. USD 593.1 million, in view of the improvement in business results.

Development of Cash Flow from Operating Activities for the Year Ended 31 December 2023-2025 (USD in millions)



Cash flows for investing activities

In 2025, the Group used a net sum of approx. USD 389.4 million for investing activities. During this period, the Group invested approx. USD 379.7 million in fixed assets and intangible assets, of which approx. USD 128.6 million related to current investments (CAPEX), which include approx. USD 21.0 million in respect of engine refurbishment, approx. USD 48.8 million in respect of the purchase of spares, *inter alia*, due to the expansion of operations, and approx. USD 37.6 million in respect of information technology investments that included investments in development, purchases of software and hardware.

In addition to the said current investments (CAPEX), the Group invested approx. USD 70.6 million in the acquisition of aircraft and an engine that had been leased by the Company and are now owned thereby (for details, see Note 10.F to the financial statements). The rest of the amount – approx. USD 180.5 million – was used for the purpose of acquisitions for expansion of the Company's production capacity in future periods, mainly the acquisition of aircraft (including a new 787-9 Boeing aircraft as specified in Note 10.B.1), the purchase of engines, seats, and spares for use in the Boeing 777 aircraft fleet, the purchase of simulators, as well as an investment in the TAMAM plant. In addition, investments in deposits increased by approx. USD 9.5 million due to investment in deposits that do not constitute part of liquid investments (as such deposits are illiquid).

In 2024, a net sum of approx. USD 200.5 million was used for investing activities. During this period, the Group invested approx. USD 204.5 million in fixed assets and intangible assets, of which approx. USD 92.0 million related to current investments (CAPEX), which included approx. USD 46.8 million in respect of the purchase of spares, *inter alia*, due to the expansion of operations and approx. USD 25.8 million in respect of information technology investments that primarily consisted of investments in development, purchases of software and hardware, a sum of approx. USD 8.7 million in respect of the acquisition of a leased aircraft, with the remaining sum invested in acquisitions for expansion of the production capacity in future periods.

Cash flows for financing activities

In 2025, the Group used a net sum of approx. USD 169.1 million for financing activities. During this period, the Group repaid loans from financial entities in the amount of approx. USD 154.4 million and repaid a shareholders' loan in the amount of approx. USD 9.8 million. In addition, the Group made current payments in respect of lease liabilities (the notional principal component) in the sum of approx. USD 118.0 million. Conversely, the Company generated positive cash flow from the exercise of warrants in the sum of approx. USD 113.5 million. For details, see Notes 18.B and 18.C to the financial statements.

In 2024, the Group used a net sum of approx. USD 198.1 million for financing activities. During this period, the Group repaid loans from the controlling shareholder in the amount of approx. USD 60.2 million, as well as loans from financial entities in the amount of approx. USD 206.2 million, with approx. USD 58.8 million used for the prepayment of loans and USD 2.7 million used for the repayment of bonds as specified in Note 14.E(2) to the financial statements. In addition, the Group made current payments in respect of lease liabilities (the notional principal component) in the sum of approx. USD 122.9 million. Conversely, the Company generated positive cash flow from net proceeds from the issuance of shares and warrants in the sum of approx. USD 135.3 million, as well as from the exercise of warrants in an additional sum of approx. USD 58.1 million.

Effect of exchange rate changes on cash balances, including readily available liquid resources held in foreign currency

Following the strengthening of the ILS against the USD during this period, a positive impact in the amount of approx. USD 29.6 million was recorded on the balance of non-USD denominated readily available liquid resources.

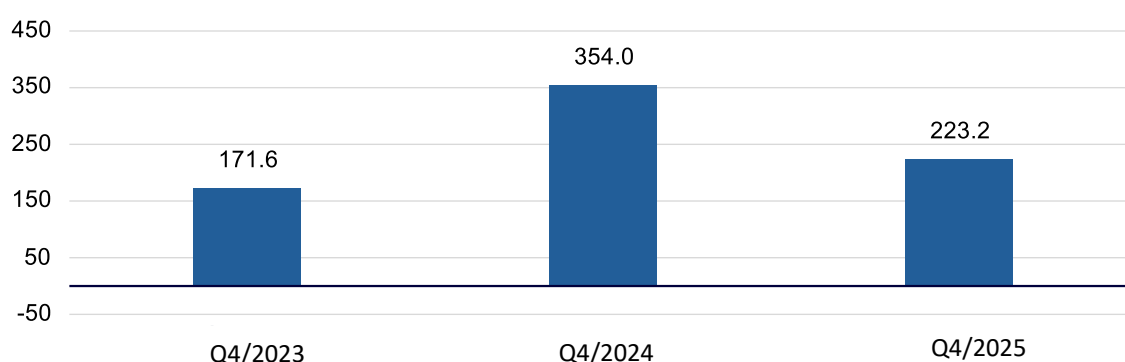
Cash flows for the three-month period ended 31 December 2025:

	Q4/2025	Q4/2024	Q4/2025 vs. Q4/2024
	USD in millions		
Opening balance of cash and cash equivalents, including readily available liquid resources*	1,828.5	1,250.0	578.5
Net cash flows generated by operating activities	223.2	354.0	(130.7)
Net cash flows used for investing activities**	(52.5)	(66.8)	14.3
Net cash flows used for financing activities	(44.5)	(91.9)	47.4
Effect of exchange rate changes on cash balances, including readily available liquid resources held in foreign currency*	6.2	(1.4)	7.7
Increase in cash and cash equivalents, including readily available liquid resources*	132.5	193.9	(61.4)
Closing balance of cash and cash equivalents, including readily available liquid resources*	1,961.0	1,443.9	517.1

*/** See the notes in the above cash flow table for 2025.

Cash flows from operating activities

In Q4/2025, the Group generated positive cash flow from operating activities in the amount of approx. USD 223.2 million, compared with positive cash flow of approx. USD 354.0 million in the same quarter last year. The decrease of approx. USD 130.8 million primarily results from changes in the working capital, originating from an exceptional increase in the deferred revenue balance and the order backlog in the same quarter last year and a decrease in income before tax.

Development of Cash Flow from Operating Activities for the Three-Month Period Ended 31 December 2023-2025 (USD in millions)


Cash flows for investing activities

In the Q4/2025, the Group used a net sum of approx. USD 52.5 million for investing activities. During this period, the Group invested approx. USD 53.6 million in fixed assets and intangible assets, of which approx. USD 43.1 million related to current investments (CAPEX) in the amount of USD approx. 14.2 million in respect of the purchase of spares due to the expansion of operations, approx. USD 8.4 million in respect of engine refurbishment, and approx. USD 13.0 million in respect of information technology investments that included investments in development, purchases of software and hardware.

In addition to the said current investments (CAPEX), the Group invested approx. USD 11.0 million in acquisitions for expansion of its production capacity, mainly consisting of the acquisition of aircraft, the purchase of engines, seats, and spares for use in the Boeing 777 aircraft fleet, as well as an investment in the TAMAM plant.

In Q4/2024, the Group used a net sum of approx. USD 66.8 million for investing activities. During this period, the Group invested approx. USD 74.2 million in fixed assets and intangible assets, of which approx. USD 28.6 million related to current investments (CAPEX), which included approx. USD 11.6 million in respect of the purchase of spares due to the expansion of operations and approx. USD 10.6 million in respect of information technology investments that consisted of investments in development, purchases of software and hardware, a sum of approx. USD 7.8 million in respect of the acquisition of a leased aircraft (see Note 10.E(1) to the financial statements), with the remaining sum invested in acquisitions for expansion of the Company's production capacity in future periods. In addition, investments in deposits decreased by approx. USD 6.4 million due to investment in deposits that do not constitute part of the readily available deposits (as such deposits are illiquid).

Cash flows for financing activities

In Q4/2025, the Group used a net sum of approx. USD 44.5 million for financing activities. During this period, the Group repaid loans from financial entities in the amount of approx. USD 32.6 million, the Group made current payments in respect of lease liabilities (the notional principal component) in the sum of approx. USD 27.5 million. Conversely, the Company generated positive cash flow from taking out credit facilities in the amount of approx. USD 19.4 million and from the exercise of warrants in the amount of approx. USD 6.0 million. For details, see Notes 18.B and 18.C to the financial statements.

In Q4/2024, the Group used a net sum of approx. USD 91.9 million for financing activities. During this period, the Group repaid loans from financial entities in the amount of approx. USD 76.9 million, with approx. USD 41.7 million used for the prepayment of loans. In addition, the Group made current payments in respect of lease liabilities (the notional principal component) in the sum of approx. USD 34.5 million. Conversely, the Company generated positive cash flow from the exercise of warrants in the sum of approx. USD 18.8 million.

A.6 Financial position, cash balances and working capital

	31 December 2025	31 December 2024		31 December 2025	31 December 2024
	USD in millions			USD in millions	
Current assets	2,452.1	1,874.2	Current liabilities	2,224.2	2,060.4
Non-current assets	2,547.6	2,501.8	Non-current liabilities	1,727.6	1,788.1
			Equity	1,048.0	527.5
Total	4,999.8	4,376.0	Total	4,999.8	4,376.0

Below are the key changes in the 'Assets', 'Liabilities' and 'Equity' items as of 31 December 2025 compared with 31 December 2024:

Current assets

The Group's current assets as of 31 December 2025 totaled approx. USD 2,452.1 million, representing an increase of approx. USD 577.9 million compared with the balance thereof as of 31 December 2024. The increase primarily resulted from an increase in the Group's liquid balances.

Current liabilities

The Group's current liabilities as of 31 December 2025 totaled approx. USD 2,224.2 million, representing an increase of approx. USD 163.8 million compared with the balance thereof as of 31 December 2024. The increase primarily resulted from an increase in trade payables, other payables and provisions in the aggregate amount of approx. USD 173.0 million.

Non-current assets

Non-current assets as of 31 December 2025 totaled approx. USD 2,547.6 million, representing an increase of approx. USD 45.8 million compared with the balance thereof as of 31 December 2024. The increase in total non-current assets primarily results from an increase of approx. USD 203.1 million in fixed assets and other assets, mainly resulting from an increase in aircraft and flight equipment, offset by a decrease of approx. USD 77.4 million in the balance of right-of-use assets in respect of leases due to current depreciation for the period, as well as due to the purchase of leased engines and aircraft. For further details, see Note 5.B to the financial statements.

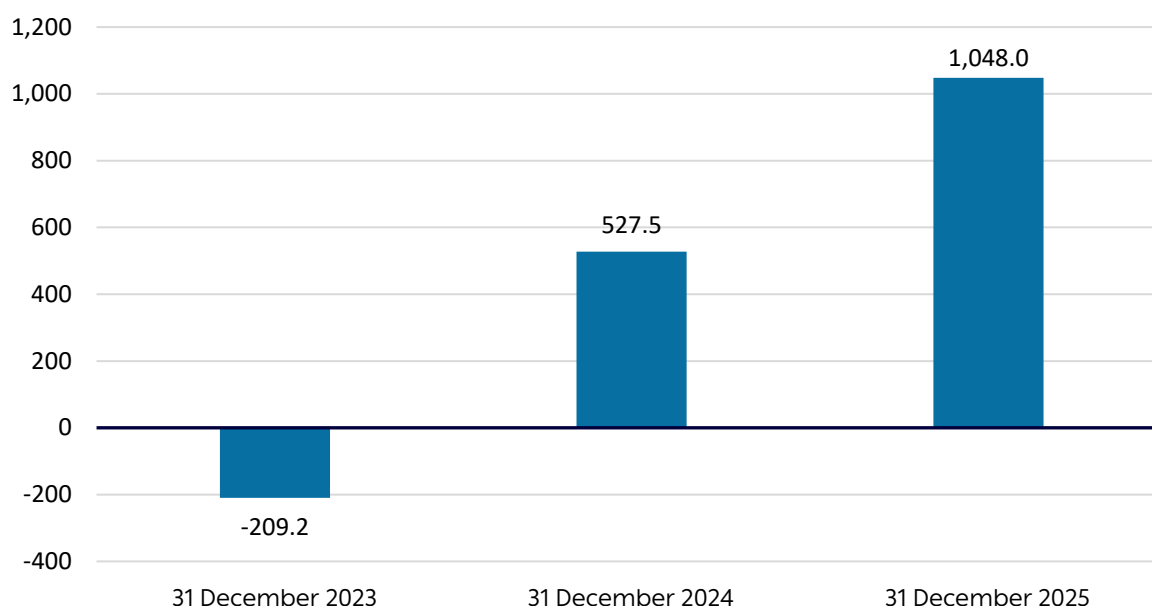
Non-current liabilities

The Group's non-current liabilities as of 31 December 2025 totaled approx. USD 1,727.6 million, representing a decrease of approx. USD 60.4 million compared with the balance thereof as of 31 December 2024. The decrease primarily derives from a decrease in lease liabilities and financial loans, mainly due to current repayments thereof and previously leased aircraft and an engine that were purchased, offset by the increase in deferred tax liability, mainly due to the income in 2025.

Equity

The equity of the Company as of 31 December 2025 totaled approx. USD 1,048.0 million. The increase in equity compared with the end of 2024 mainly derived from the net income in 2025 in the sum of approx. USD 410.3 million, and from the exercise of warrants during the period, net of financing fees, in the sum of approx. USD 113 million. In January 2026, after the date of the statement of financial position, the Company distributed a dividend of approx. USD 102 million, as specified in Note 18.G to the financial statements.

Development of equity (USD in millions)



Material credit facilities and loans

For details regarding the Group's loans, see Note 14 to the financial statements.

A.7 Unencumbered assets

As of 31 December 2025, the Company owns unencumbered assets with a market value totaling approx. USD 210 million, which include aircraft, engines and aviation equipment including simulators. Additionally, as specified in Section 8.7.1, the Group has an investment in the construction of a building, pursuant to an IAA tender, for the production of in-flight catering. The building is also expected to be used by the subsidiary TAMAM, which, as of the report release date, is funded by the Group's own resources. For further details, also see Note 10.I to the financial statements. These assets serve as a high-quality basis for expansion of the Group's financing capacity, under attractive terms, thanks to their high marketability and their substantial market value, in view of global supply chain delays in the aviation industry and the strong demand for equipment. The fair value of the aircraft and engines was appraised in accordance with standard industry price guides.

After the date of the report and up to the date of release hereof, the Group removed additional encumbrances totaling approx. USD 85 million.

B. EXPOSURE TO AND MANAGEMENT OF MARKET RISKS

Presented below are the market risks to which the Company is exposed, and the methods of management thereof, including the use of hedging transactions. The Company applies hedge accounting and classifies the hedging transactions as hedging instruments. See Note 19 to the annual financial statements for the accounting policy in this context and the Company's policy on market risk management, the functions in charge of management thereof, supervision methods and the implementation of the policy.

Exposure to changes in jet fuel prices

Generally, jet fuel expenses constitute a key component in the Company's operating expenses, as specified in Chapter A.3 of this Board of Directors' Report. The Company employs hedging measures to reduce the exposure.

As of 31 December 2025, the Company had several engagements for the hedging of jet fuel prices, which cover ~35% of the consumption planned for the next 12 months. For the effect of the transactions on profit and loss and comprehensive income, see Note 19.D.1 to the financial statements. As of 31 December 2025, the net fair value of the jet fuel hedging instruments totaled a negative balance (liability) of approx. USD 1.1 million. The table below presents the minimum and maximum hedging ratios (out of the total projected monthly consumption) according to the jet fuel hedging policy for the next 24 months (shortly before approval of the report): The Group's hedging policy dictates a 'rolling' hedge, whereby hedging ratios are higher in the short term, since forecasts with respect to the Group's operations and sales are more reliable. In the medium and long term, the Group maintains greater flexibility to perform adjustments to its commercial and operational activities, and thus the hedging ratio is lower.

Months ahead	1	2	3	4	5	6	7	8	9	10	11	12	13-18	19-24
Minimum hedging ratio	60%	55%	50%	45%	40%	35%	30%	25%	20%	15%	10%	5%	0%	0%
Maximum hedging ratio	80%	75%	70%	65%	60%	55%	50%	45%	40%	35%	30%	25%	25%	15%

The table below presents the sensitivity of jet fuel expenses over the period of the next 12 months (shortly before the release of the financial statements), relative to the expected future market prices according to the curve known shortly before the report release date, considering the current hedging portfolio, in accordance with the expected activity level and according to the Company's estimate (assuming that all other variables, including the consumption quantity and supplier margins, remain unchanged):

Change in average market price in the next 12 months compared with price shortly before the report release date (212 cents/gallon)	Extent of effect on expenditure in the next 12 months after hedging effect (USD in millions)
50%	195
25%	74
-25%	(121)
-50%	(232)

Exposure to changes in interest rates

Most of the Company's loans bear interest that is based on the dollar TERM SOFR interest rate, and the interest on some of the loans is hedged by means of derivatives.

Shortly before the report release date, ~28% of the outstanding loans the Company has received bear a variable interest rate (without hedging), and ~72% of the outstanding loans⁴⁵ bear a fixed or hedged interest rate for a period of up to 5 years or thereabouts.

The table below presents the sensitivity of the interest expenses on outstanding loans as of the report date over the period of the next 12 months (shortly before the release of the financial statements), including the effect of the Company's interest risk management actions:

Change in average Term SOFR interest rate in the next 12 months compared with Term SOFR interest rate shortly before the report date (3.7%)	Average hedging ratio and/or percentage of fixed-interest credit out of projected exposure for the next 12 months	Extent of effect on expenditure in the next 12 months, after hedging effect (USD in millions)
50%	72%	7.6
15%		2.7
-15%		(2.3)
-50%		(7.6)

Interest derivatives

The Company manages the interest rate risk, *inter alia*, by using interest derivatives. The fair value of interest derivatives in the statement of financial position as of 31 December 2025 totaled a positive balance (asset) of approx. USD 14.1 million. For the effect of the transactions on profit and loss and comprehensive income, see Note 19.F.1 to the financial statements.

Exposure to exchange rates

Exposure in respect of current payments and expenses

Most of the Group's revenues and expenses are denominated in USD, which is the Company's functional and presentation currency. The Company has ILS-denominated expenses, primarily consisting of payroll expenses. Accordingly, a change in the ILS/USD exchange rate affects the USD value of ILS-denominated expenses. Conversely, the FF Company has ILS-denominated revenues that offset part of the Group's ILS exposure.

The table below presents the sensitivity of the ILS expenses, net of the ILS revenues as aforesaid (excluding the exposure in respect of actuarial liabilities denominated in ILS as specified below) over the period of the next 12 months (shortly before the release of the financial statements) relative to the future foreign currency rates expected as of the present time, in accordance with the expected activity level and according to the Group's estimate (assuming all other variables, including the amount of the ILS expenses and revenues, do not deviate from the projections).

Shortly before the report approval date, the hedging ratio for the cash flow ILS exposure in the next 12 months is ~21% of the aforesaid expected exposure. The exposure is hedged through derivatives (designated as hedging instruments for hedge accounting purposes) and/or by holding cash surpluses in ILS deposits (some of which are designated as hedging instruments and some of which are not designated as hedging instruments for hedge accounting purposes) to reduce actual exposure. For the effect of the transactions on profit and loss and comprehensive income, see Note 19.E.1 to the financial statements.

⁴⁵ The described loans do not include the Phoenix loan to the FF Company, which is not exposed to changes in the interest rates as specified in this note. For further details, see Note 14.C to the annual financial statements.

Change in average exchange rate in the next 12 months compared with exchange rate shortly before the report release date (spot exchange rate: ILS 3.09 per USD 1)	Average hedging ratio out of projected exposure for the next 12 months	Change in USD value of ILS-denominated expenses after hedging effect (USD in millions) ⁴⁶
10%	23%	(70)
-10%		86

Exposure in respect of ILS-denominated actuarial liabilities

The Company has several liabilities that mainly relate to the termination of employment relations with employees in Israel, which are denominated in ILS and total approx. USD 143.6 million (net of plan assets), thus exposing the Company to changes in the income statement in respect of periodic revaluation of balance sheet items.

Exposure in respect of JPY-denominated loans

The Company has several loans that include JPY-denominated components. JPY-denominated debt totals approx. JPY 15.0 billion. As of 31 December 2025, the Company entered into cross-currency swap transactions to hedge cash flows and fix the JPY exchange rate for debt in the amount of approx. JPY 9.3 billion. As of the date of the statement of financial position, the fair value of these hedging transactions totals a negative sum (liability) of approx. USD 21.5 million. For the effect of the transactions on profit and loss and comprehensive income, see Note 19.E.2 to the financial statements. Accordingly, the Company's unhedged exposure in respect of JPY-denominated debt components totals approx. JPY 5.7 billion (approx. USD 36.5 million, according to the spot exchange rate as of 31 December 2025).

Exposure in respect of balance sheet items and future payments

The table below presents the main financial liabilities (financial assets) that expose the Company to exchange rate fluctuations, broken down by key currencies (USD in millions):

	ILS	JPY	Euro
Cash and deposits	(175.9)	-	(17.8)
Lease liabilities	28.8	-	-
Loans (not hedged against exchange rate exposure)	-	64.9	-
Employee benefit liabilities	143.6	-	-
Total liabilities (assets), net, in USD	(3.5)	64.9	(17.8)
Spot exchange rate per USD 1 as of 31 December 2025	3.19	156.82	1.18
Consequential effect of a 10% decrease/increase in exchange rate	(0.4)	6.5	(1.7)

Investment policy

In 2025, in accordance with its investment policy, the Company also invested in equity instruments, available-for-sale bonds, mutual funds and money market funds. For details, see Note 4 to the financial statements.

⁴⁶ The change in the USD value of ILS-denominated expenses after hedging, takes into account the impact of the change in the exchange rate, as assumed for the purpose of the sensitivity analysis, also on the balance of ILS deposits, although some of them are not designated as hedging instruments in hedge accounting. Consequently, the impact of the revaluation of such deposits will be carried to the 'Financing' item. In addition, there may be timing differences between the recognition of revaluation gains or losses and the recognition of the consequential effect of operating expenses.

C. CORPORATE RESPONSIBILITY AND CORPORATE GOVERNANCE ASPECTS

C1. Donations and Community Aid

In 2025, as part of its operations, the Company donated approx. USD 15 million in money and money equivalents. For details about donations and community aid, see Section 8.10.2 of the Description of the Corporation's Business chapter.

C2. Directors with Accounting and Financial Expertise

For information about the experience and education of directors deemed by the Board as having accounting and financial expertise in the reporting year, see Regulation 26 of the Additional Details on the Corporation chapter.

C3. Disclosure on the Internal Auditor of a Reporting Corporation

1. Details of and satisfaction of conditions by the internal auditor

- Name of Auditor: Moshe Cohen.
- Commencement of Term of Office: 1 August 2021.
- Qualifications for the Position: CPA, B.A. in Economics and Accounting, Tel Aviv University. 40 years of experience in internal audits, financial statements audit, risk management and consultation. Serves as the internal auditor of public companies and various organizations, Managing Partner of the Chaikin Cohen Rubin accounting firm.
The Internal Auditor satisfies all the fitness requirements prescribed by Section 3(a) of the Internal Audit Law, 5752-1992.
The Internal Auditor complies with the provisions of Section 146(b) of the Companies Law, 5759-1999 and the provisions of Section 8 of the Internal Audit Law, 5752-1992.
- In the reporting year, the Internal Auditor has had no holdings of Company securities nor holdings in another entity affiliated therewith.
- Since the date of his appointment, the Internal Auditor has had no business ties with the audited corporation nor with an entity affiliated therewith, other than his being the internal auditor of subsidiaries of the Company.
- The Internal Auditor is retained by the Company by way of outsourcing.

2. Manner of Appointment of the Internal Auditor

- The appointment of the Internal Auditor was approved and recommended by the Audit Committee in its meeting of 15 July 2021 and by the Company's Board in its meeting of 28 July 2021, following consideration of the auditor's education, qualifications and experience in internal audit and in risk management in corporations of substantial scale.
- Duties have been imposed and powers have been conferred on the Internal Auditor in accordance with the Company's Internal Audit Procedure, the provisions of which are based on the laws of the State of Israel. In this context, the duty to propose a work plan, conduct audits in the Company in accordance with the plan and distribute written reports that include findings, conclusions and recommendations has been imposed on the Internal Auditor.

3. Identity of the Supervisor of the Internal Auditor

The Internal Auditor reports to the Chairman of the Board and the CEO of the Company, in accordance with the provisions of the Company's articles of association.

4. Work Plan

- The Internal Auditor's work plan is annual.
- The Internal Auditor's work plan is established based on the following considerations:
 - The audit work plan is based on risk assessment for the Company's operations.

- The effect of the issue on the safety and security of passengers, employees and aircraft, the Company's profitability, passenger service, information security, cyber and regulation.
 - Proposals by VPs and Heads of Departments.
 - The findings of previous audits and the pace of implementation of the recommendations submitted.
- The Chairman of the Board of the Company, members of the Audit and Compensation Committee and the CEO of the Company are involved in the establishment of the work plan.
 - The proposed work plan is received every year by the Chairman of the Board, the members of the Board's Audit and Compensation Committee and the CEO of the Company. The proposal is approved by all of the aforementioned in accordance with Section 149 of the Companies Law, 5759-1999.
 - The work plan leaves the Internal Auditor with the discretion to deviate from the plan, subject to approval by the authorized organs of the Company. Of note, in view of the War, and in view of Operation Rising Lion, adjustments were made to the internal audit work plan for 2025, according to the approval of the authorized organs of the Company, as aforesaid.
 - The Company's Auditor is invited to all the meetings of the Company's Board and its committees.

5. Audits overseas or audits of held corporations

The Company's Auditor also serves as the internal auditor of all the active subsidiaries, and his work plan thus includes such companies. The Internal Auditor's work plan also includes the conduct of inspections of the Company's overseas operations.

6. Processing of complaints in relation to deficiencies in the management of the Company's business

The Company's Auditor has been appointed to receive, coordinate and present to the Audit and Compensation Committee, complaints of Company employees in relation to deficiencies in the management of its business, and the method of handling thereof. In this context, an orderly mechanism has been established in the Company to handle these matters.

7. Scope of engagement

- The Internal Auditor is retained by way of outsourcing with seven internal auditors reporting to him, three of whom, for most of the reporting year, were Company employees in full-time positions. The internal audit work plan for 2025 was adapted with respect to the increase in the Company's operations, and consequently the number of audit hours was increased relative to the reporting year.
- In 2025, approx. 12,600 audit work hours were devoted to the Company and to the subsidiaries in Israel and overseas as specified in the following table:

Work Hours in respect of the Company's Operations in Israel	Work Hours in respect of the Company's Overseas Operations	Work Hours in respect of Held Corporations*	Total
9,390	1,970	1,240	12,600

*Including ~187 hours for audit for a corporation held overseas.

8. Conduct of Audits

- The Company's Internal Auditor performs his work in accordance with the Companies Law, 5759-1999, in accordance with the Internal Audit Law, 5752-1992 and according to generally accepted professional standards.



- The Chairman of the Board and the Chairman of the Audit and Compensation Committee hold, from time to time, a discussion with the Internal Auditor with respect to his work and the professional standards under which his work is conducted.
- The Audit and Compensation Committee holds meetings in which it discusses the work of the Internal Auditor in accordance with the audit standards.
- Prior to the approval of the proposed annual audit plan, the Chairman of the Board and the Chairman of the Audit and Compensation Committee discuss the risk assessment pursuant to which the proposed work plan was formulated with the Internal Auditor, and the Audit and Compensation Committee subsequently discusses the proposed annual audit work plan and the risks pursuant to which it was formulated and recommends the Company's Board to approve the same. The Company's Board approves the internal audit work plan.
- Furthermore, in the reporting year, the Audit and Compensation Committee held a discussion, in the presence of the Internal Auditor and in the absence of Company officers who are not members of the Committee, to examine the existence of deficiencies in the business management of the corporation.

9. Access to information

The Internal Auditor has free, constant and direct access to any asset, document and information that is in the possession of the Company and its subsidiaries, in and outside of Israel, or in the possession of any of its employees, as well as access to any regular or computerized information repositories, any databases and any automatic data processing systems in the Company, including financial data, as set out in Section 9 of the Internal Audit Law, 5752-1992.

10. Internal Auditor reports

- Internal Auditor reports are submitted in writing.
- In 2025, the Internal Auditor completed 42 audit reports. The audit reports were submitted to the Chairman of the Board, the members of the Board's Audit and Compensation Committee and the Company's outgoing CEO. In addition, the Internal Auditor conducted several special inspections and incidental audits, the results of which were reported on an ongoing basis to the Audit and Compensation Committee and the Chairman of the Board.
- In 2025, the Audit and Compensation Committee convened on 9 occasions to discuss the reports of the Internal Auditor on the following dates: 12 January, 9 March, 4 May, 26 May, 10 August, 14 September, 27 October, 23 November, 23 December.

11. Board's evaluation of the Internal Auditor's activity

In the opinion of the Board, the scope, nature and continuity of the activities and work plan of the Internal Auditor are reasonable under the circumstances and accomplish the objectives of the internal audit of the corporation, because they address all the material and central activities of the Company.

12. Compensation

- The compensation of the Internal Auditor and his team for the year 2025 totaled ILS 1,833 thousand. The cost does not include the cost of Company employees.
- In the opinion of the Company's Board, the amount and components of the compensation paid to the Internal Auditor do not adversely affect the ability of the Internal Auditor to exercise independent discretion in the performance of his tasks.

C4. Disclosure on auditor fees

The following table presents the Group's expenses on the fees of the Kost Forer Gabbay & Kasierer & Co. and EY overseas accounting firms for audit, tax services and other services rendered by them:

	Audit and Audit-Related Services	Other Services	Total
	USD in thousands	USD in thousands	USD in thousands
Y2024	637	540	1,177
Y2025	827	749	1,576

The following table presents Borenstein's expenses on the fees of Prager Metis CPAs accounting firm for audit, tax services and other services rendered by them:

	Audit and Audit-Related Services	Other Services	Total
	USD in thousands	USD in thousands	USD in thousands
Y2024	75	18	93

As of 2025, Borenstein's fees are included in the total amount of the Group's expenses in respect of the fees paid to accounting firms Kost Forer Gabbay & Kasierer & Co. and EY abroad.

The fees were approved by the Company's Board and are reasonable and standard for the nature of the Company and the scale of its operations.

C5. Compensation of interested parties and senior officers

For interested party and senior officer compensation, see Note 21 to the financial statements with respect to transactions with interested parties and related parties, as well as Regulation 21 of the Additional Details on the Corporation chapter.

C6. Internal enforcement programs

Internal Securities Law and Corporate Law Enforcement Program

In 2011, following approval by the Corporate Governance Committee, the Company's Board approved the principles of the internal enforcement program in the fields of securities laws and corporate law, and the internal enforcement program is updated, from time to time, as necessary, with the approval of the competent organs of the Company.

Pursuant to the recommendation of the Audit and Compensation Committee, the Company's Board has appointed the Company Secretary as the internal enforcement officer in this area (in this section: the "Officer").

The internal enforcement program reflects the Company's recognition of the importance of compliance with the law by the Company's employees, executives, Board members and relevant service providers, and it assembles the Company's policy on the prevention and handling of violations, including a policy on the assessment of the damage from violations of the law and the prevention of their recurrence.

The purpose of the internal enforcement program is to incorporate and enforce norms of upholding the law, rules of ethics and other rules of conduct within the Company among its officers and employees, thus ensuring compliance with the provisions of securities laws by the Company and by individuals within it.

The enforcement program includes measures for internal detection of potential failures and violations, the function of which is, *inter alia*, to detect and rectify failures, streamline reporting processes, identify and deal with cases of conflict of interest, prevent leaks of insider information outside the Company and prevent prohibited influence over the trade in the Company's shares. It is clarified that an effective internal enforcement program may serve the CEO and the Board as an instrument in the context of their performance of the oversight duty they carry and may also be held to the Company's credit upon the occurrence of any violation of securities laws.

The enforcement program adopted by the Company includes an outline for the activities of the Company's internal enforcement team and key procedures, including, the Procedure for the Board's Work; the Procedure for Delineation of the Functions and Powers of the Audit and Compensation Committee; the Procedure for Interested-Party and Related-Party Transactions; the Procedure for Conflict of Interest of Company Officers; the Procedure for Compensation of Officers; the Procedure for (Non-Financial) Reports; the Procedure for Prohibition on the Use of Insider Information; the Procedure for the Sharing of Information with the Media and Capital Market; the Procedure for Weighing Enforcement Considerations in the Promotion of Employees and Executives; the Procedure for Weighing Enforcement Considerations in the Compensation Policy; and the Procedure for Training of Board Members.

In 2025, the Officer continued to conduct various activities in the context of training on the enforcement program among employees and executives of the Company, and, *inter alia*, internal enforcement training sessions were conducted by the Officer and by outside speakers, for employees and executives of the Company in Israel and overseas, of the subsidiaries, as well as for consultants who provide services to the Company, and proactive audits were conducted for examination of implementation of the enforcement procedures. In addition, in 2025, the Company held a professional training day for directors, during which reviews were presented and talks were given on professional topics such as trends in the global aviation market, cyber and artificial intelligence, as well as talks on corporate governance, competition and other regulatory issues that are relevant to the Company, by Company executives and outside speakers. For details on the awareness day held in 2025, see below.

As part of the Officer's report, from time to time, the Officer presents to the Audit and Compensation Committee members a description of the activities performed during the reporting period in the context of implementation and integration of the internal enforcement program, a review of compliance incidents and the measures taken to address such incidents and prevent the recurrence of similar incidents in the future, and also presents updates in relation to legislation amendments, Israel Securities Authority (ISA) directives and material decisions rendered in the context of legal proceedings in the field of securities law and corporate law.

The Officer's work plan for 2025 was approved in December 2024, in accordance with the enforcement program. In addition, the Officer's work plan for 2026 was approved in January 2026.

Internal Competition Law Enforcement Program

In 2014, the Company's Board approved an internal enforcement program in the field of competition law, which includes an outline for the activities of the Company's internal enforcement team and key procedures for the Company's operating segments, which competition-law internal enforcement program is updated from time to time, as necessary, with the approval of the competent organs of the Company.

Pursuant to the recommendation of the Audit and Compensation Committee, the Company's Board has appointed the General Counsel of the Company as the Company's internal enforcement officer in this area (in this section: the "Officer"). The adoption and implementation of an effective enforcement program are intended to contribute to increased awareness among employees and executives of the requirements of the Economic Competition Law, and the enforcement policy of the Competition Authority, and accordingly, to the reduction of exposure to claims and enforcement proceedings against the Company, its employees and its executives. Furthermore, Section 48(a) of the Economic Competition Law, 5748-1988 was amended in the context of Amendment 21 to the Law and imposes a duty on the officers of a corporation "to oversee and do everything possible to prevent offenses pursuant to this law by the corporation or by any of its employees". Breach of this duty gives rise to the criminal liability of officers, which carries a criminal penalty of up to one year of imprisonment. The novelty of this provision is that the criminal liability of officers arises even if the corporation shall have committed no competition law violation. Under the Amendment, the failure to discharge the duty of oversight gives rise, in and of itself, to a criminal offense. An internal enforcement program that is systematically and effectively implemented by the corporation may assist officers in their compliance with this duty. Of note, Section 48(b) provides a presumption that the duty of the officer to prevent violation of the provisions of the Law is breached where an offense is committed by the corporation, unless the officer proves that he has done everything possible to discharge his duty. The internal enforcement program will assist officers in these situations too, to the extent that they were not involved in the commission of the offense nor aware of its existence.

In 2025, the Officer continued to conduct various activities in the context of training on the enforcement program among employees and executives of the Company, and, *inter alia*, internal enforcement training sessions were conducted by the Officer and by outside speakers, for employees and executives of the Company in Israel and overseas, of the subsidiaries, as well as for consultants who provide services to the Company, and proactive audits were conducted for examination of the implementation of enforcement procedures. In 2025, the Company held an awareness day on competition law and compliance to embed the internal enforcement program among the Company's employees and executives. The day included professional training and instruction sessions for senior management and designated personnel on enforcement programs in competition law, securities law and corporate law, enrichment activities were conducted for implementation of the internal enforcement programs in competition law, securities law and corporate law, and a new e-learning module (in Hebrew and English) on the internal competition law enforcement program was launched for all Company employees.

As part of the Officer's report, the Officer regularly provides the Audit and Compensation Committee members with a description of the activities performed during the reporting period in the context of implementation and integration of the enforcement program, a review of compliance incidents and the measures taken to address such incidents and prevent the recurrence of similar incidents in the future, as well as a corpus of updates in relation to legislation amendments, Competition Authority directives and material decisions rendered in the context of legal proceedings in the field of competition law.

The internal competition law enforcement program adopted by the Company includes an outline for the activities of the Company's competition-law internal enforcement team and key procedures, including the Procedure for General Instructions and Reporting Duties; the Procedure for Overseas Business Operations; the Procedure for Handling Company Documents; the Procedure for Cooperation with Investigations and Inspections by the Competition Authority; the Procedure for Contact with Competitors; the Procedure for Engagements with Airlines; the Procedure for Contact with Customers; the Procedure for Engagements with Vendors; the Procedure for the Security Department, and so forth.

The Officer's work plan for 2025 was approved in December 2024 in accordance with the internal competition law enforcement program. Shortly before the approval of the report, the Officer's work plan for 2026 was approved.

For further details in relation to proceedings vis-à-vis the Competition Authority, see Note 16.B(7) to the financial statements.

Internal Anti-Bribery and Anti-Corruption Enforcement Program

In 2018, the Company's Board approved an internal enforcement program on the prohibition of bribery and the prohibition of corruption and appointed the Company's VP Human Resources as the enforcement officer in this area. The enforcement program forms a manual for ethical decision-making and reflects the values that define the Company and the Company's aim to avoid circumstances that might constitute misconduct. The purpose of the enforcement program is to instill among the various employees, executives, consultants, vendors and service providers a culture of compliance with the internal, domestic and international regulation that applies to the Company, as pertaining to bribery and corruption offenses. The enforcement program reflects the great importance placed by the Company on strict adherence to the provisions of law with respect to bribery and corruption offenses.

D. DISCLOSURE PROVISIONS IN CONNECTION WITH THE CORPORATION'S FINANCIAL REPORTING

D.1 Disclosure on critical accounting estimates

The management's application of the provisions of the international standards when preparing the financial statements sometimes involves various assumptions, assessments and estimates which affect the amounts of the assets and liabilities and the business results reported in the financial statements. Some of the assumptions, assessments and estimates are critical to the financial position or the 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 materialization of uncertainties. For details on significant accounting estimates used by the Company, see Note 2.C to the financial statements.

D.2 The matters to which the Company's accountants draw attention in their conclusion on the financial statements

For details regarding the Company's exposure to class actions against it, see Note 16 to the financial statements.

Amikam Ben Zvi, Chairman of the Board

Levy Halevy, CEO

24 February 2026



EL AL



Chapter C

Consolidated Financial Statements for 2025

EL AL Israel Airlines Ltd.

EL AL Israel Airlines Ltd.

Consolidated Financial Statements for 2025

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Independent Auditors' Report to the Shareholders of EL AL Israel Airlines Ltd.

Regarding Audit of Components of Internal Control over Financial Reporting

**pursuant to Section 9B(c) of the Securities Regulations
(Periodic and Immediate Reports), 5730-1970**

We have audited components of internal control over financial reporting of EL AL Israel Airlines Ltd. and subsidiaries (jointly, the "**Company**") as of 31 December 2025. These components of control were determined as explained in the following paragraph. The Company's Board of Directors ("**Board**") and Management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of the components of internal control over financial reporting, attached to the periodic report as of the above date. Our responsibility is to express an opinion on the components of internal control over financial reporting of the Company, based on our audit.

The components of the internal control over financial reporting that were audited were determined pursuant to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" ("**Audit Standard (Israel) 911**"). These Components are: (1) Entity-level controls, including controls over the financial reporting and closing process and ITGCs; (2) Controls over passenger and cargo revenues; (3) Controls over revenues for measurement of deferred revenues with respect to frequent flyer program points; (4) Controls over fixed assets – aircraft, engines and parts; (5) Controls over employee salary expenses in Israel; (6) Controls over employee benefits in Israel (all referred to hereafter jointly as the "**Audited Components of Control**").

We conducted our audit pursuant to Audit Standard (Israel) 911. This Standard requires that we plan and perform the audit with the purpose of identifying the Audited Components of Control, and to obtain reasonable assurance about whether these components of control were effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the Audited Components of Control, assessing the risk that a material weakness exists in the Audited Components of Control, and testing and evaluating the design and operating effectiveness of such components of control, based on the assessed risk. Our audit of such components of control also included performing such other procedures as we considered necessary in the circumstances. Our audit only referred to the Audited Components of Control, as opposed to internal control over all of the material processes in connection with the financial reporting, and therefore our opinion refers only to the Audited Components of Control. In addition, our audit did not address mutual effects between the Audited Components of Control and non-audited controls, and therefore, our opinion does not take into consideration such possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Because of its inherent limitations, internal control over financial reporting in general and components thereof in particular, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company effectively maintained, in all material respects, the Audited Components of Control as of 31 December 2025.

We have also audited, based on Generally Accepted Auditing Standards in Israel, the Consolidated Financial Statements of the Company as of 31 December 2025 and the year then ended, and our report of 24 February 2026 included an opinion with no modification to the standard language on the said financial statements, as well as a special attention clause regarding the Company's exposure to the certification of class actions, based on our audit.

Tel Aviv
24 February 2026

Kost Forer Gabbay & Kasierer
Certified Public Accountants



Independent Auditors' Report to the Shareholders of EL AL Israel Airlines Ltd.



Opinion

We have audited the Consolidated Financial Statements of EL AL Israel Airlines Ltd. (the "**Company**"), which include the Consolidated Statements of Financial Position as of 31 December 2025 and the Consolidated Statements of Profit or Loss, of Comprehensive Income, of Changes in Capital, and of Cash Flows for the year then ended, and the notes to the Consolidated Financial Statements, including the significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Company as of 31 December 2025 and the consolidated financial results and consolidated cash flows thereof for the year then ended in accordance with IFRS accounting standards and the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010.

Basis for the Opinion

We conducted our audit in accordance with Generally Accepted Auditing Standards in Israel, including standards set in the Accountants Regulations (Mode of Operation of Accountants) 5733-1973. Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent of the Company and its consolidated companies in accordance with the legal provisions applicable in Israel regarding independence and the prevention of conflicts of interest for auditors in Israel. Furthermore, we have fulfilled our other ethical responsibilities in accordance with the Auditors Law, 5715-1955, and the regulations promulgated thereunder. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 16 to the financial statements regarding the exposure to the certification of class actions against the Company and the Company's exposure to such class actions. Our opinion includes no modification to the standard language in this regard.

Key Audit Matters

Key audit matters that are specified below are those matters that were communicated or required to be communicated to the Company's Board and that, in our professional judgment, were highly significant in the audit of the Consolidated Financial Statements for the current period. These matters include, among others, any matter that: (1) relates, or may relate, to material items or disclosures in the Consolidated Financial Statements, and (2) our judgment with respect to which was especially challenging, subjective, or complex. These matters were addressed in our audit of and opinion on the Consolidated Financial Statements as a whole. The communication of these matters below does not alter our opinion on the Consolidated Financial Statements as a whole, and we are not providing through it a separate opinion on these matters or on the items or disclosures to which they refer.

Frequent flyer programs

As specified in Note 2C(5) and Note 13 to the Consolidated Financial Statements, for the purpose of calculating the deferred revenue balance in respect of frequent flyer points accumulated as of the date of the Statement of Financial Position and not yet redeemed, the Company uses the selling prices of the various products for which these points may be exchanged, taking into consideration the number of points required in order to purchase such products, and a statistical estimate, alongside the Company's experience in point redemption forecasts. Changes in the Management's estimates regarding the point value and the non-redemption rates may affect the timing of revenue recognition. As of 31 December 2025, the deferred revenue balance in respect of frequent flyer programs is approx. USD 189.3 million in the short term, and approx. USD 90.9 million in the long term. We identified the estimates for the point redemption forecasts and the selling prices of the various products for which the points may be exchanged as a key audit matter. Our judgment is required to assess the ability to use historical data to determine these estimates. The applied audit procedures that are related to the frequent flyer programs were:



We evaluated the design and audited the effectiveness of the Company's controls in connection with the estimated point redemption forecasts and the selling prices of the various products for which the points may be exchanged; we evaluated the professional competence and independence of the consultant serving as the Company's expert by inquiring into their relevant professional qualifications and experience; we utilized an actuarial expert on our behalf who examined the underlying assumptions and methodology used for the point redemption forecasts; we evaluated the appropriateness of the methodology used by the Company to determine the estimate regarding selling prices and concluded that this estimate is consistent with prior periods; we used an IT expert who examined the adequacy of the quantity of accumulated points; we audited the completeness and accuracy of the data underlying the calculation of the estimated point value; we performed sensitivity analyses to assess the effects of the changes on short-term and long-term deferred revenue.

Employee benefits

As detailed in Note 2.C(3) and Note 15 to the Consolidated Financial Statements, the present value of the Company's liability for payment of retirement and severance pay for some employees in Israel, for payment of leave to all employees in Israel, sick leave encashment for some employees in Israel, and other benefits, is based on a large dataset, which is determined based on an actuarial assessment, using actuarial assumptions. Changes in the actuarial assumptions may affect the value of the Company's liabilities for payment of the said benefits. As of 31 December 2025, the outstanding liability based on actuarial calculations for short-term employee benefits is approx. USD 75.6 million, and for long-term benefits, approx. USD 71.4 million. We identified the database for the actuarial calculations and actuarial assumptions as a key audit matter. Our judgment is required to assess the adequacy of the database and significant assumptions in order to determine the value of the Company's liabilities for payment of the employee benefits.

The audit procedures we performed related to employee benefits were:

We evaluated the design and audited the effectiveness of the Company's controls over components of internal control over employee benefits in Israel; we evaluated the professional competence and independence of the actuary serving as the Company's expert by inquiring into their relevant professional qualifications and experience; we audited the completeness and accuracy of the data underlying the calculation of employee benefits; we utilized an actuarial expert on our behalf who examined the basis of the assumptions used for the actuarial work and taken in the actuarial work, and made an independent calculation of the total liability for actuarial employee benefits.

Responsibilities of the Board of Directors and Management for the Consolidated Financial Statements

The Board and Management are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRS Accounting Standards and the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010; and for such internal control as the Board and Management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board and Management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as required, matters related to going concern and using the going concern basis of accounting unless the Board and Management either intend to liquidate the Company or to cease its operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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



In an audit carried out in accordance with Generally Accepted Auditing Standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures in response to such risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, willful misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of the accounting policies applied and the reasonableness of accounting estimates and related disclosures made by the Board and Management.
- Reach a conclusion on the appropriateness of the Board's and Management's use of the going concern basis of accounting and, based on the audit evidence obtained by us, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to include a modification to the standard language of our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board and Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Furthermore, we provide the Board and Management with a statement that we have complied with relevant ethical requirements regarding our independence, and communicate with them all relationships and other matters that may reasonably be deemed to influence our independence, and where applicable, safeguards implemented to eliminate threats identified to our independence.

From the matters communicated, or required to be communicated, with the Board and Management, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes disclosure about such matter to outsiders.

Nexus Paragraph

We have also audited, in accordance with Israel Auditing Standard 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control Over Financial Reporting," components of the Company's internal control over financial reporting as of 31 December 2025, and our report of 24 February 2026 expressed an unqualified opinion on the effective maintenance of such components.

The engagement partner for the audit contemplated in the independent auditor's report is Rachel Or.

Tel Aviv
24 February 2026

Kost Forer Gabbay & Kasierer
Certified Public Accountants



	Note	As of 31 December	
		2025	2024
		USD in millions	USD in millions
Assets			
Current assets			
Cash and cash equivalents	3	503.9	512.8
Short-term investments (*)	4,9	1,484.1	891.0
Trade receivables	5	296.3	316.8
Other receivables (*)	6	89.4	76.8
Derivative financial instruments	19	9.0	12.6
Prepaid expenses	7	47.7	43.4
Inventory	8	21.6	20.9
Total current assets		2,452.1	1,874.2
Non-current assets			
Long-term deposits	4	107.9	149.2
Long-term investments	4,9	16.9	30.5
Deferred tax assets	17	73.1	88.9
Right of use for leased assets	11	482.8	560.2
Fixed and intangible assets	10	1,858.6	1,655.6
Derivative financial instruments	19	8.2	17.5
Total non-current assets		2,547.6	2,501.8
Total assets		4,999.8	4,376.0

(*) Reclassified

The notes attached to the Consolidated Financial Statements form an integral part hereof.



		As of 31 December	
	Note	2025	2024
<u>Liabilities and Capital</u>		USD in millions	USD in millions
Current liabilities			
Current maturities and short-term credit	14	144.3	172.6
Current maturities due to leases	11	107.1	120.8
Loan from the Controlling Shareholder	14.D	-	9.8
Trade payables		254.2	203.2
Other payables	12	255.3	184.3
Deferred revenues	13	1,115.5	1,108.5
Provisions	16	64.4	13.4
Derivative financial instruments	19	37.6	24.3
Liabilities for employee benefits	15	245.8	223.5
Total current liabilities		2,224.2	2,060.4
Non-current liabilities			
Loans from financial institutions	14	531.3	650.2
Liabilities due to leases	11	493.8	575.5
Long-term deferred revenues	13	252.4	234.4
Long-term other payables	12	135.5	138.6
Deferred tax liabilities	17	221.9	113.1
Derivative financial instruments	19	21.5	15.2
Liabilities for employee benefits	15	71.4	61.2
Total non-current liabilities		1,727.6	1,788.1
Total liabilities		3,951.8	3,848.5
Capital	18		
Share capital		511.5	482.1
Premium and capital reserves		566.0	492.6
Retained loss		(25.5)	(428.8)
Total capital attributable to the shareholders of the Company		1,052.1	545.9
Non-controlling interests		(4.1)	(18.4)
Total capital		1,048.0	527.5
Total liabilities and capital		4,999.8	4,376.0

Amikam Ben Zvi -
Chairman of the Board

Levy Halevy - CEO

Gil Feldman - CFO

Date of approval of the financial statements: BGA, 24 February 2026.

The notes attached to the Consolidated Financial Statements form an integral part hereof.



	Note	For the year ended 31 December		
		2025	2024	2023
		USD in millions	USD in millions	USD in millions
Revenues from operations	20.A	3,476.0	3,432.2	2,503.4
Operating expenses:				
Fuel		584.7	600.6	563.1
Payroll expenses	20.C	855.0	732.9	567.6
Airport fees and services, and air navigation fees		364.6	332.8	299.4
Maintenance		128.5	106.7	94.2
Food, passenger service and other operating costs		257.7	223.0	172.8
Marketing and distribution expenses	20.D	197.8	194.0	141.3
Depreciation and amortization		272.6	266.3	248.6
Rentals	11.D	99.7	76.3	52.8
IT and head office expenses		140.2	131.0	108.9
Other expenses (revenues), net	20.E	24.6	(4.0)	(12.6)
Total operating expenses		<u>2,925.5</u>	<u>2,659.4</u>	<u>2,236.1</u>
Operating profit		550.5	772.7	267.3
Financing expenses, net	20.F	<u>3.6</u>	<u>95.1</u>	<u>142.2</u>
Income before taxes on income		546.9	677.6	125.1
Income tax expenses	17.B	<u>136.6</u>	<u>132.6</u>	<u>8.4</u>
Net income for the year		<u>410.3</u>	<u>544.9</u>	<u>116.7</u>
Attributable to:				
Shareholders of the Company		403.3	541.4	112.6
Non-controlling interests		<u>7.1</u>	<u>3.5</u>	<u>4.1</u>
		<u>410.3</u>	<u>544.9</u>	<u>116.7</u>
Earnings per ordinary share of par value ILS 1 (in USD):				
Basic earnings per share		<u>0.764</u>	<u>1.440</u>	<u>0.410</u>
Diluted earnings per share		<u>0.701</u>	<u>1.180</u>	<u>0.273</u>
Weighted average of number of shares (in millions) used for calculating the earnings per share:				
Basic		<u>528.2</u>	<u>376.0</u>	<u>274.7</u>
Diluted		<u>575.1</u>	<u>458.8</u>	<u>413.2</u>

The notes attached to the Consolidated Financial Statements form an integral part hereof.



	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Income for the year	410.3	544.9	116.7
Other comprehensive income (loss):			
Amounts that will not be carried in the future to profit or loss:			
Profit (loss) from remeasurements of a defined benefit plan, net of tax	(0.9)	0.7	3.2
Amounts that will be carried in the future to profit or loss:			
Exchange rate differences due to translation of foreign operations	4.3	0.1	(0.2)
Loss from cash flow hedging, net of tax	(9.6)	(7.0)	(3.5)
Profit (loss) from cash flow hedging – time value, net of tax	(1.3)	0.4	(1.6)
Other comprehensive loss for the year	(7.5)	(5.8)	(2.1)
Total comprehensive income for the year	402.8	539.1	114.6
Attributable to:			
Shareholders of the Company	395.8	535.6	110.5
Non-controlling interests	7.1	3.5	4.1
	402.8	539.1	114.6

The notes attached to the Consolidated Financial Statements form an integral part hereof.



EL AL Israel Airlines Ltd.
Consolidated Statements of Changes in Capital

For the year ended 31 December 2025

	Share capital	Capital reserve from the issuance of shares at a discount and share premium	Capital reserve from the issuance of options	Capital reserve for cash flow hedging	Capital reserve for cash flow hedging – time value	Other capital reserves	Retained losses	Total equity attributable to the shareholders of the parent company	Non-controlling interests	Total
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Balance as of 1 January 2025	482.1	107.8	50.8	19.1	(1.7)	316.6	(428.8)	545.9	(18.4)	527.5
Movement during the report year:										
Net income for the year	-	-	-	-	-	-	403.3	403.3	7.1	410.3
Other comprehensive income (loss)	-	-	-	(9.6)	(1.3)	3.4	-	(7.5)	-	(7.5)
Total comprehensive income (loss) for the year	-	-	-	(9.6)	(1.3)	3.4	403.3	395.8	7.1	402.8
Exercise of warrants for shares, see Note 18.C	29.5	123.9	(37.3)	-	-	(2.8)	-	113.3	-	113.3
Expiration of options, see Note 18.C	-	0.8	(0.8)	-	-	-	-	-	-	-
Share-based payment, See Note 18.H	-	-	-	-	-	4.4	-	4.4	-	4.4
Transaction with holders of non-controlling interests in connection with an option for the purchase of shares in a subsidiary, see Note 14.C	-	-	-	-	-	(7.3)	-	(7.3)	7.3	-
Total capital as of 31 December 2025	511.5	232.4	12.7	9.5	(3.0)	314.5	(25.5)	1,052.1	(4.1)	1,048.0

The notes attached to the Consolidated Financial Statements form an integral part hereof.



EL AL Israel Airlines Ltd.
Consolidated Statements of Changes in Capital
(Cont.)

For the year ended 31 December 2024

	Share capital	Capital reserve from the issuance of shares at a discount	Capital reserve from the issuance of options	Capital reserve for cash flow hedging	Capital reserve for cash flow hedging – time value	Other capital reserves	Retained losses	Total equity attributable to the shareholders of the parent company	Non-controlling interests	Total
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Balance as of 1 January 2024	429.1	(39.8)	55.3	26.2	(2.1)	314.2	(970.1)	(187.2)	(21.9)	(209.2)
Movement during the report year:										
Net income for the year	-	-	-	-	-	-	541.4	541.4	3.5	544.9
Other comprehensive income (loss)	-	-	-	(7.0)	0.4	0.8	-	(5.8)	-	(5.8)
Total comprehensive income (loss) for the year	-	-	-	(7.0)	0.4	0.8	541.4	535.6	3.5	539.1
Proceeds from issuance of shares and warrants	25.1	77.2	33.5	-	-	-	-	135.8	-	135.8
Exercise of warrants for shares	27.9	70.4	(38.0)	-	-	(2.1)	-	58.2	-	58.2
Share-based payment	-	-	-	-	-	3.6	-	3.6	-	3.6
Total capital as of 31 December 2024	482.1	107.8	50.8	19.1	(1.7)	316.4	(428.8)	545.9	(18.4)	527.5

The notes attached to the Consolidated Financial Statements form an integral part hereof.



EL AL Israel Airlines Ltd.
Consolidated Statements of Changes in Capital
(Cont.)

For the year ended 31 December 2023

	Share capital	Capital reserve from the issuance of shares at a discount	Capital reserve from the issuance of options	Capital reserve for cash flow hedging	Capital reserve for cash flow hedging – time value	Other capital reserves	Retained losses	Total equity attributable to the shareholders of the parent company	Non-controlling interests	Total
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Balance as of 1 January 2023	407.0	(51.2)	68.3	29.7	(0.5)	308.5	(1,082.8)	(321.0)	(26.0)	(346.9)
Movement during the report year:										
Net income 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 stock dividends	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 capital as of 31 December 2023	429.1	(39.9)	55.3	26.2	(2.1)	314.2	(970.1)	(187.3)	(21.9)	(209.2)

The notes attached to the Consolidated Financial Statements form an integral part hereof.



	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Cash flows from operating activities			
Income for the period	410.3	544.9	116.7
Adjustments required to present the cash flows from operating activities – Annex A	635.8	900.5	336.4
Cash generated by operating activities	<u>1,046.2</u>	<u>1,445.4</u>	<u>453.2</u>
Cash flows for investing activities			
Disposition of (investment in) financial assets, net	(153.9)	0.3	0.1
Purchases of fixed assets (including prepayments for aircraft and engine overhauls)	(342.1)	(178.7)	(116.6)
Proceeds from disposition of fixed assets	2.1	1.3	1.0
Investment in intangible assets	(37.6)	(25.8)	(14.2)
Investment in deposits, net	(374.5)	(907.9)	(44.9)
Cash used for investing activities	<u>(906.0)</u>	<u>(1,110.8)</u>	<u>(174.5)</u>
Cash flows for financing activities			
Proceeds from the issuance of warrants, net of issuance costs	-	135.3	-
Exercise of warrants for shares, net of exercise costs	113.5	58.1	20.5
Receipt of a loan from financial institutions	-	-	135.1
Payment for loan issuance costs	-	-	(9.1)
Repayment of a loan from the Controlling Shareholder, see Note 14.D	(9.8)	(60.2)	-
Repayment of loans from financial institutions, see Note 14.B	(154.4)	(147.4)	(206.0)
Prepayment of loans from financial institutions	-	(58.8)	-
Repayment of lease liabilities	(118.0)	(122.9)	(115.7)
Repayment of bonds	-	(2.7)	-
Increase (decrease) in short-term credit, net	(0.5)	0.4	(3.9)
Cash used for financing activities	<u>(169.1)</u>	<u>(198.1)</u>	<u>(179.1)</u>
Effect of exchange rate changes on cash balances held in foreign currencies	<u>20.1</u>	<u>(9.8)</u>	<u>3.5</u>
Increase (decrease) in cash and cash equivalents	<u>(8.9)</u>	<u>126.7</u>	<u>103.0</u>
Cash and cash equivalents at the beginning of the period	<u>512.8</u>	<u>386.1</u>	<u>283.2</u>
Cash and cash equivalents at the end of the period	<u>503.9</u>	<u>512.8</u>	<u>386.1</u>

The notes attached to the Consolidated Financial Statements form an integral part hereof.



For the year ended 31 December		
2025	2024	2023
USD in millions	USD in millions	USD in millions

Annex A - Adjustments Required for Presenting Cash Flows from Operating Activities:

Non-cash flow revenues and expenses:

Depreciation (including write-off of devices, obsolete components and use of consumable)	176.2	165.4	149.6
Depreciation of right of use for leased assets	96.5	100.9	99.0
Income tax expenses	135.3	132.2	7.9
Increase in liabilities for employee benefits	31.2	79.0	26.3
Reversal of impairment of fixed assets	-	(15.0)	-
Revaluation of financial instruments at fair value through profit and loss, net, see Notes 9.D and 19	(20.3)	1.7	(5.3)
Increase (decrease) in provisions	51.1	5.3	(3.7)
Adjustments for financing expenses	6.5	31.6	22.9
Other changes	7.7	7.6	1.3
	<u>484.1</u>	<u>508.7</u>	<u>298.0</u>

Changes in asset and liability items:

Increase in trade and other receivables	(3.2)	(41.9)	(76.0)
Increase in deferred revenue	0.3	415.1	57.4
Increase in trade and other payables	157.2	43.0	57.3
Decrease (increase) in prepaid expenses	(1.8)	(19.1)	0.3
Increase in inventory	(0.8)	(5.4)	(0.5)
	<u>151.7</u>	<u>391.8</u>	<u>38.5</u>
	<u>635.8</u>	<u>900.5</u>	<u>336.4</u>

Annex B - Interest Payments and Interest Income, Taxes Paid, and Dividends Received and Classified in Cash Flow from Operating Activities (1):

Interest payments (2)	<u>63.0</u>	<u>92.2</u>	<u>96.0</u>
Interest income	<u>73.1</u>	<u>23.3</u>	<u>10.2</u>
Taxes paid	<u>1.0</u>	<u>0.7</u>	<u>0.5</u>

The notes attached to the Consolidated Financial Statements form an integral part hereof.

- (1) The Company classifies cash flows from interest and dividends received thereby, as well as cash flows from interest paid, as cash flows used for or generated by operating activities.
- (2) Including notional interest for lease liabilities in accordance with IFRS 16 "Leases".
- (3) In 2024, the interest payments also include the component of the accounting discount paid, in the sum of approx. USD 6.8 million for prepayment of part of the Phoenix loan.



Note 1 – General

A. The Group's Operations

EL AL Israel Airlines Ltd. (the "**Company**" or "**EL AL**") and the subsidiaries (jointly: the "**Group**") operate in the field of air transport of passengers and cargo to and from Israel. The Group mainly operates scheduled flights via the Company and via the subsidiary Sundor International Airlines Ltd. ("**Sundor**"). In addition, the Group operates a loyalty program for its customers, in the context of which it collaborates with financial institutions in a branded credit card venture through the subsidiary, EL AL Frequent Flyer Ltd. (the "**FF Company**"). The Group also engages in related activity such as charter flights performed by Sundor, sale of duty-free products, production and supply of food for airlines (including for the Company itself) performed by the subsidiaries, TAMAM Aircraft Food Industries (Ben Gurion Airport) Ltd. ("**TAMAM**") and Borenstein Caterers Inc. ("**Borenstein**"), and also in provision of ongoing and comprehensive maintenance services for aircraft, including its own aircraft. In addition, the Company operates in the field of development and entrepreneurship via the subsidiary, Cockpit Innovation Ltd. In accordance with the arrangements reached with the State in this context, the Company also operates in the field of provision of security services to the Israeli airlines.

B. The business environment in which the Group operates and the effect on its results in 2025

Passenger traffic at BGA is generally characterized by seasonality, such that most of the activity is during the summer months, whereas the winter months are usually characterized by low passenger traffic. Seasonality is further influenced by the timing of the Jewish holidays. Throughout the Swords of Iron war (the "**War**"), significant changes occurred in passenger traffic at BGA and in the supply of flights in the market. The intensity of the shifts and changes in flight activity at BGA varied periodically, depending on the development of security events. Against this backdrop, 2025 was characterized by high demand for the Group's flights, similar to last year, which had a material positive impact on the business results.

Upon the launch of operation Rising Lion ("**Operation Rising Lion**" or the "**Operation**") on 13 June 2025, the airspace over Israel, including BGA, was closed, and as a result the Group's scheduled flight operations were suspended pending completion of the Operation. Following the conclusion of the Operation, from 25 June 2025, given the reopening of BGA's airspace for scheduled flight activity, in accordance with the directives of the competent authorities of the State of Israel, the Company began gradually resuming its flight operations, fully returning to normal activity on 1 July 2025. In the estimation of the Company's management, the estimated damage to the Group's profit (before tax effect) due to suspension of operations and additional costs borne by the Group, totals approx. USD 100 million. For further details regarding the impact of the Operation on the Group's results, see Note 12 below.



Note 2 – The Basis for the Preparation of the Financial Statements

A. Declaration in respect of the application of IFRS and Securities Regulations:

The Group's financial statements have been prepared in accordance with the IFRS accounting standards (the "**IFRS Standards**") and the interpretations thereto, which have been published by the International Accounting Standards Board (IASB), and in accordance with the Securities Regulations (Annual Financial Statements), 5770-2010 (the "**Financial Statements Regulations**").

B. The Group's functional currency and presentation currency:

The financial statements of the Company and each of its subsidiaries have been prepared in the currency of the main economic environment in which they operate (the "**Functional Currency**"). Whereas the Group's Consolidated Financial Statements are presented in USD – the Functional Currency of the Company (and most of its subsidiaries), since in this currency most of the Company's revenues and expenses are presented, including aircraft sourcing and the lion's share of its funding.

For the purpose of presenting the Consolidated Financial Statements, the assets and liabilities of the subsidiaries whose Functional Currency is different than USD, are presented in USD according to the exchange rates in effect at the end of the reporting period. Also, revenues and expenses items are translated at the average exchange rates during the reporting period. The relevant translation differences are recognized in the other comprehensive income under "Exchange rate differences on translation of foreign operation" and will be classified to the profit or loss upon the disposal of the foreign operation for which the translation differences were generated.

C. Significant accounting judgments and key estimates:

(1) General:

In the implementation of the Group's accounting policy, Management is required, in certain cases, to exercise broad accounting judgment in respect of estimates and assumptions which were used in the valuation of the assets and liabilities in the financial statements. The estimates and the related assumptions are based on past experience and on other factors which are considered to be relevant. The actual results may be different from those estimates. Below is the specification of the key estimates and judgments applied in these financial statements.

(2) Provisions and contingent liabilities:

For the purpose of assessing the exposures arising from claims filed and pending against the Group, as well as determining the likelihood that they will result in a negative outcome for the Group, the Group's management relies on the opinion of legal and professional counsels. Once the Group's counsels formulate their legal position and estimate the Group's chances regarding the claim, whether the Group will have to bear its consequences or whether it can dismiss it, the Group's management estimates the amount of the provision that should be recognized in the financial statements, if any, based on the best estimate of the Group's management for the amount required to settle the obligation. The outcome of the proceedings may differ from Management's estimates, thus could materially impact the Group's financial position and results of operations. See Note 16 for details on the provisions and contingent liabilities as of 31 December 2025.

(3) Employee benefits:

The present value of the Group's liability for payment of benefits to its employees is based on a large dataset, which is determined through an actuarial assessment using actuarial assumptions, including discount rates for the various liabilities. Changes in the actuarial assumptions may affect the estimated value of the Company's liabilities for payment of the said benefits. See Note 15 for a specification of the benefits, the actuarial assumptions and the sensitivity analysis with respect thereto.



Note 2 – The Basis for the Preparation of the Financial Statements (Cont.)

C. Significant accounting judgments and key estimates: (Cont.)

(4) Useful life and residual values of aircraft and engines:

The Group's aircraft and engines are depreciated over their remaining useful lives, taking into account their residual values. As detailed in Note 10 below, these estimates are determined based on Management's plans and assessments regarding the manner of use of the aircraft fleet, as well as market assessments of the sale value of the equipment upon retirement from service, relying, among other factors, on aircraft prices published from time to time.

Actual changes in the remaining useful life and/or residual values may result in material changes to depreciation rates and depreciation expenses for the Group.

(5) Matmid Frequent Flyer Program:

To calculate the deferred revenue balance in respect of the frequent flyer points accrued as of the date of the Statement of Financial Position and not yet redeemed, the Group uses the sale prices of the various products which the Group enables to purchase with points, taking into consideration the number of points required in order to purchase such products, relative to their monetary sale price, and considering the mix of products purchased with points, and the Group's experience with point redemption forecasts.

D. Release of IFRS 18 – Presentation and Disclosure in Financial Statements ("IFRS 18"):

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

The purpose of the New Standard is to improve comparability and transparency in financial statements. Where the New Standard will include new requirements for presentation and disclosure, including in the statement of profit or loss, and provision of disclosure in the audited or reviewed financial statements regarding management-defined performance measures (e.g., EBITDAR). According to the New Standard, the statement of profit or loss will be classified into five categories (operating, investing, financing, income taxes and discontinued operations) in a manner that its implementation may change the classification of certain expenses or revenues, thereby altering the subtotals in the statement of profit and loss, such as the Group's operating income. For the avoidance of doubt, it should be emphasized that there will be no change in the Group's pre-tax profit and net income as a result of the implementation of the New Standard.

In the estimation of the Company's management, the primary changes expected in its financial statements are the classification of exchange rate differences (most of which are currently classified under the financing item) under various categories, and specifically, a significant portion of exchange rate differences that will be classified under operating expenses. Furthermore, the Group's income from deposits and excess liquidity is expected to be classified under the investing activities category (in lieu of its current classification under financing activities). Additionally, in the statement of cash flows, cash flows in respect of interest paid, which are currently classified under operating activities in accordance with the Company's accounting policy, will be classified as cash flows under financing activities.

The Company continues to evaluate the effects of the New Standard and prepare for implementation thereof, and *inter alia* is reviewing the performance measures to be included in its financial statements. The New Standard will be retroactively implemented commencing from the financial statements for Q1/2027.



Note 3 – Cash and Cash Equivalents

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Cash and balances in banks	118.0	164.5
Cash equivalents	385.9	348.3
Total cash and cash equivalents	503.9	512.8

See Note 4.C regarding a summary of the cash balances, investments in financial assets, and readily available deposits, which together constitute the Group's liquid assets as of 31 December 2025.

Note 4 – Short-Term Investments and Long-Term Deposits

A. Accounting policy:

In 2025, in accordance with its investment policy, the Company invested, *inter alia*, in equity channels, bonds, mutual funds, and money market funds. The Company applies the provisions of IFRS 9, 'Financial Instruments', according to which investments in shares, bonds, mutual funds and money market funds are measured at fair value through profit and loss.

B. Composition:

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Short-term investments:		
Deposits in banks for a period exceeding 3 months and money market funds (see Section C below)	1,271.1	891.0
<u>Investments in financial assets (see Section A above):</u>		
Investment in shares	101.9	-
Investment in bonds	50.7	-
Investment in mutual funds	8.5	-
Total investments in financial assets	161.0	-
Fair value of phantom option from Cal (see Note 9.D)	52.0	-
Total short-term investments	1,484.1	891.0
 Long-term deposits:		
Long-term deposits in banks	25.0	40.0
Deposits with service providers	9.7	9.5
Deposits provided by the Group as collateral for aircraft lease agreements (see Note 11.A(3))	73.2	99.7
Total long-term deposits	107.9	149.2



Note 4 – Short-Term Investments and Long-Term Deposits (Cont.)

C. Cash and liquid assets available for the Group's use as of 31 December 2025:

In addition to the cash and cash equivalents specified in Note 3 above, as of 31 December 2025, the Group has approx. USD 1,271.1 million invested in short-term deposits and money market funds, as specified in Section B above, which is not classified as cash and cash equivalents according to GAAP, but constitutes relatively liquid balances that can be utilized by the Group within a relatively short period of time. Furthermore, the Group has approx. USD 161.0 million invested in financial assets as specified in Section B above, as well as approx. USD 25.0 million invested in deposits (in banks) for periods exceeding one year.

Consequently, the Group's liquid assets as of 31 December 2025 total approx. USD 1,961 million.

Note 5 – Trade Receivables

A. Accounting policy:

The Group's customers are assessed at the end of each reporting period to identify indications of impairment. Such impairment is recognized when there is objective evidence that, as a result of one or more events, the recoverability of a customer's debt has been adversely affected. Such evidence may include, among other things, significant financial difficulties of the debtor or failure to meet ongoing payment obligations.

In the event of impairment, the Group recognizes a loss and a provision for credit losses. The provision is calculated on a case-by-case basis (there is also a general provision for the FF Company's customers). When the Group estimated that debts are definitively uncollectible, the debt is recognized as a bad debt.

B. Types of customers:

In the passenger flight field, which represents the majority of the Group's trade receivables balances, the credit period for the Group's sales ranges between one week and one month from the date of ticketing. The actual flight typically occurs after payment has been collected, thereby reducing credit risk.

The Group's customers include various types of customers both in Israel and abroad:

- Corporate and individual customers, who purchase tickets through credit card or cash payments.
- IATA (the International Air Transport Association, "IATA") agents, who pay via IATA's banking clearing system (BSP for passenger agents and CASS for cargo agents) and their credit quality is determined according to parameters of the clearing system, whereas For these agents, these entities require bank guarantees in accordance with IATA rules.
- Other customers, including non-IATA agents, business partners in the FF Company for the sale of FFP points, tourism wholesalers, aircraft maintenance activity customers, etc.

The Group holds insurance against the credit risk of most of IATA agents in Israel. This insurance does not fully cover the Group's credit risk exposure.

In determining the recoverability of customer debts, the Group evaluates changes in the customer's credit quality from the time credit was granted until the reporting date. The overall credit risk is limited due to the large and diversified customer base, which spans different industries and geographic regions, the relatively short credit period, and the type of customers, most of which are the credit card companies or agents operating through IATA's clearing mechanism, as explained above.



Note 5 – Trade Receivables (Cont.)

C. Composition:

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Expected income from credit card sales	130.6	140.3
Outstanding accounts – IATA agents	101.7	124.3
Outstanding accounts – others	64.4	52.7
Accounts receivable	5.5	5.6
	<u>302.3</u>	<u>322.9</u>
Net of - a provision for doubtful debts and credit losses (mostly exceeding 90 days)	(6.0)	(6.1)
Total trade receivables balance	<u>296.3</u>	<u>316.8</u>

D. Customer debt aging:

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Not in arrears	289.4	311.2
In arrears up to 90 days	4.7	4.4
In arrears exceeding 90 days	8.3	7.3
Total	<u>302.3</u>	<u>322.9</u>
Net of - a provision for doubtful debts and credit losses (mostly exceeding 90 days)	(6.0)	(6.1)
Total as of end of year	<u>296.3</u>	<u>316.8</u>

The average overdue period of customer debts as of 31 December 2025 is ~99 days.



Note 6 – Trade and Other Receivables

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Interest receivable due to bank deposits	39.2	25.2
Government institutions	23.2	15.6
Deposits provided by the Group as collateral for aircraft lease agreements (see Note 11.A(3))	8.3	13.7
Deposit provided by the Group as collateral for derivatives	10.2	5.1
Other receivables	8.6	17.2
Total trade and other receivables	89.4	76.8

Note 7 – Prepaid Expenses

Prepaid expenses include, among other things, agent commissions and credit card fees attributed to revenues which were not yet recognized and are considered incremental costs of obtaining a contract as defined in IFRS 15 and will be recorded as marketing and distribution expenses in the statement of profit and loss concurrently with the recognition of revenues from the flights for which the commissions were paid.

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Agent commissions	15.3	16.5
Credit card fees	21.4	15.5
Other prepaid expenses	11.0	11.5
Total prepaid expenses	47.7	43.4

Note 8 – Inventory

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Jet fuel for consumption	7.5	8.8
Materials and food supplies	9.1	7.6
Chemicals	2.0	1.6
Duty-free products	2.9	2.8
Total inventory	21.6	20.9



Note 9 - Long-Term Investments

A. Composition:

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Fair value of phantom option from Cal (see Note 4.B and Section D below)	-	20.6
Receivables in respect of the TAMAM plant (see Section B below)	16.7	8.2
Investments in investment ventures (see Section C below)	0.2	1.6
Total	16.9	30.5

B. Receivables in respect of the TAMAM plant

The aforesaid balance is for a reimbursement which is expected to be received from the Israel Airports Authority (the "**IAA**") for the investment in constructing a new plant being built by the subsidiary TAMAM, and is treated as a grant relating to assets in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' (the "**Grant**"). Therefore, the Grant, which is expected to be received in future periods, is currently recognized in the Statement of Financial Position as long-term receivables, and is deducted from the cost of construction of the new plant, will reduce future depreciation expenses in respect thereof. See also Note 10.I below.

C. Investments in investment ventures

The Company's investments include holdings in investment ventures, which operate in collaboration with the subsidiary Cockpit Innovation Ltd. In this framework, Cockpit holds equity instruments in start-up companies. In 2025, the Company recognized cumulative impairment totaling approx. USD 1.1 million, in view of cash flow difficulties and operational challenges faced by the start-up companies, which materially affected their economic value. Furthermore, in 2025, the Company sold its holdings in some of the start-up companies for total consideration of approx. USD 0.4 million.

D. Phantom option in Cal

By virtue of an agreement between the FF Company and Diners Club Israel Ltd. and Israel Credit Cards Ltd. ("**Diners**", "**Cal**", respectively), regarding the issuance and operation of branded credit cards for the Matmid Frequent Flyer Program ("**FFP**") members (the "**Agreement**"), the FF Company has a phantom option that grants economic rights in Cal (equivalent to 8.75% of Cal's value appreciation) or in Diners (equivalent to 35% of Diners' value appreciation), exercisable only in the event of a sale or issuance of either of them, to be settled in cash.

In December 2025, Cal notified the Group of Discount's engagement with Union Investments & Development Ltd. and Harel Investments in Insurance and Financial Services Ltd. (the "**Buyers**") in an agreement for the sale of all of Discount's holdings in Cal, subject to receipt of regulatory approvals, by virtue of an agreement signed between Discount and the Buyers in September 2025. By virtue of the phantom right in the agreement, the Group notified Cal in January 2026 of its request to trigger the option granted for the exercise of all of the phantom rights in relation to Cal.

Accordingly, as of 31 December 2025, the Group revalued the phantom option based on an external valuation ("**Valuation**"), according to which the value of the phantom option is approx. ILS 166.0 million (approx. USD 52.1 million as of the report date). As a result, the Group recognized a profit of approx. USD 31.5 million, approx. USD 27.4 million of which was recorded in the income statement under the 'Other expenses, net' item (approx. USD 8.2 million in 2024), and the balance was recorded as exchange rate differences under the financing item.



Note 9 - Long-Term Investments (Cont.)

D. Phantom option in Cal (Cont.)

The Valuation (level 3) was based, *inter alia*, on the following parameters and estimates:

- (a) The value of the underlying asset – the fair value of Cal's shares, which constitute the underlying asset, was estimated at approx. ILS 3.75 billion, according to the transaction for the sale of Cal as specified above, while according to the terms and conditions of the option, the Group is entitled to the appreciation between this amount and the sum of approx. ILS 1.8 billion, and hence, for the purpose of measuring the fair value of the phantom option, this amount was calculated as the option's exercise price.
- (b) The term of the option was estimated at ~0.58 years, the estimate for the closing of the pending transaction due to the necessary regulatory requirements for approval of the transaction and according to the deadline for the closing thereof in accordance with the acquisition agreement.
- (c) The buyers' debt interest rate was estimated at ~4.8% based on interest with an Aa2 rating as of the valuation date (fair margin).
- (d) Since the contingent consideration component cannot be reliably estimated as of the valuation date, the Valuation did not include this component, if any will exist.

Note 10 – Fixed and Intangible Assets

A. Composition of the fixed assets:

The Group's fixed assets primarily include the Group's aircraft and its flying equipment (such as engines, including spares, components, consumables, etc.). In addition, the fixed assets include buildings and facilities, transportation equipment, furniture, and computer equipment. The intangible assets described in this note primarily include investments in the fields of information systems and cybersecurity. The fixed asset and the intangible assets items are presented in the Statement of Financial Position at their cost, net of accumulated depreciation.

(1) Composition of the amortized cost in the Statement of Financial Position:

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Amortized cost:		
Aircraft and flying equipment	1,673.8	1,547.0
Other fixed assets and intangible assets (see Note 10.I)	184.9	108.5
	<u>1,858.6</u>	<u>1,655.6</u>



Note 10 – Fixed and Intangible Assets (Cont.)

A. Composition of the fixed assets (Cont.)

- (2) Balances of the cost, accumulated depreciation, and the amortized cost of the Group's aircraft and flying equipment:

	Passenger aircraft	Engines	Payments on account of aircraft, engines and flying equipment	Spare parts and consumables	Total
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Cost:					
As of 1 January 2024	2,079.6	470.5	24.2	198.5	2,772.8
Classification	0.6	-	(1.3)	0.7	-
Additions	2.5	42.3	52.0	45.0	141.9
Write-off	(2.3)	(16.7)	-	(33.6)	(52.6)
As of 31 December 2024	2,080.4	496.1	74.9	210.7	2,862.2
Classification	17.8	5.7	(19.9)	(3.6)	-
Additions	76.2	121.8	18.3	55.7	284.2
Write-off	-	(1.3)	-	(38.7)	(40.0)
As of 31 December 2025	2,174.5	622.3	73.3	224.5	3,094.7
Accumulated depreciation:					
As of 1 January 2024	981.5	147.0	-	112.7	1,241.2
Reversal of impairment loss	(15.0)	-	-	-	(15.0)
Depreciation this year	78.6	22.7	-	18.4	119.6
Write-off	(1.6)	(16.7)	-	(12.4)	(30.7)
As of 31 December 2024	1,043.5	153.0	-	118.7	1,315.1
Depreciation this year	82.8	26.3	-	13.4	122.5
Write-off	-	(1.3)	-	(15.5)	(16.8)
As of 31 December 2025	1,126.3	178.0	-	116.6	1,420.9
Amortized cost:					
As of 31 December 2025	1,048.2	444.3	73.3	107.9	1,673.8
As of 31 December 2024	1,037.0	343.1	74.9	92.0	1,547.0



Note 10 – Fixed and Intangible Assets (Cont.)

A. Composition of the fixed assets (Cont.)

(3) Pledges and restrictions

In general, some of the Group's aircraft and engines are pledged in favor of the lenders in a first-ranking fixed and specific charge, and in some cases, the aircraft were purchased through loans taken by Special Purpose Companies (SPCs), which were established as part of the financing transactions. Therefore, the legal structure is such that the aircraft are owned by the SPCs, which lease the aircraft to the Company throughout the financing periods. At the end of the lease terms, the aircraft are transferred to the Company, including potential and ancillary rights such as insurance. The Group is barred from transferring or registering additional pledges on the assets without prior consent from the lenders. See also Note 14.F below for further details.

B. Expansion of the 787 wide-body aircraft fleet – Dreamliner aircraft:

- (1) **Addition of 17th aircraft in 2025:** In December 2022, the Company signed an agreement for the purchase of a 17th aircraft with Boeing, which was delivered to the Company in Q2/2025. See Note 14.E below regarding the signing of agreements for the financing of the said aircraft.
- (2) **Lease of 18th and 19th aircraft:** In 2017, the Company signed an agreement with a foreign lessor granting it the option for a dry lease of up to two Boeing 787-9 aircraft (18th and 19th aircraft). This option has been extended by the Company from time to time, and in June 2023, the Company exercised the option and signed agreements for the lease of the aircraft for a lease period of 15 years each, with expected delivery dates in 2026 and 2027.
- (3) **Purchase of 20th-22nd aircraft and option to purchase six additional aircraft:** In April 2024, the Company signed an agreement with aircraft manufacturer Boeing to purchase three Boeing 787-9 aircraft (the 20th-22nd aircraft), the delivery of which is planned for 2029 and 2030 (respectively: the **"Three Aircraft"** and the **"Agreement"**). Additionally, the Company was granted options to purchase up to six additional 787-9 aircraft (the **"Option Aircraft"**) based on the exercise mechanism set forth in the Agreement.

According to the Agreement, the Company has flexibility regarding the dates of receipt of the Three Aircraft and the Option Aircraft, in a manner allowing adjustments to the Company's evolving fleet needs, including the right to convert the Three Aircraft and Option Aircraft to another Boeing model, subject to the terms of the Agreement.

The estimated purchase cost of the Three Aircraft, including spare engines, based on their future delivery dates, is expected to range between USD 650 million and USD 730 million (the **"Purchase Cost"**), depending, among other factors, on price adjustments that shall apply at the future delivery dates, and credits granted to the Company. The Purchase Cost does not include the Company's expected costs for ongoing maintenance of engines and other spare parts.

As of 31 December 2025, the Company had paid advances of approx. USD 10.5 million, with additional advances to be paid by the Company until the delivery date of each aircraft, while the remaining payment for each aircraft will be made upon delivery of each aircraft, all in accordance with the terms of the Agreement. Prior to the arrival of each aircraft, the Company will assess the available financing options therefor.



Note 10 – Fixed and Intangible Assets (Cont.)

B. Expansion of the 787 wide-body aircraft fleet – Dreamliner aircraft (Cont.)

- (4) **Purchase of engines:** In October 2024, the Company signed an update to its existing 2016 long-term agreement with engine manufacturer Rolls-Royce for the maintenance of 787 aircraft engines, such that it shall apply also to the 787 engines of the aircraft the Company expects to receive in the years 2025-2030 (aircraft 17-22) (the "**Updated Agreement**"). In this context, the Option Aircraft, if exercised in Q2/2025, the Company signed an annex to the Updated Agreement with the engine manufacturer, Rolls-Royce, according to which the delivery to the Company of a spare (sixth) engine for the 787 fleet was brought forward. This engine, model TRENT TEN 1000 in 'BOM B' configuration, which features engineering improvements and technical updates compared to previous TRENT 1000 models, was delivered to the Company in Q3/2025.

C. Expansion, replacement, and renewal of the Company's narrow-body 737 aircraft fleet:

In August 2024, the Company signed an agreement with aircraft manufacturer Boeing to purchase twenty 737 MAX aircraft (the "**Purchased Aircraft**"). The Company was also granted an option by Boeing to purchase up to 11 additional 737 MAX aircraft (respectively: the "**Option Aircraft**" and the "**Agreement**"). The Purchased Aircraft and the Option Aircraft shall be referred to collectively as the **Aircraft**".

The Company expects to receive the Purchased Aircraft between 2028 and 2031. The Option Aircraft are expected to be received between 2030 and 2032, insofar as the Company chooses to exercise any of the Option Aircraft.

Most of the Aircraft will gradually replace existing Boeing 737 aircraft currently operated by the Company, while others will serve to expand the Company's aircraft fleet, in accordance with its strategic plan. The Agreement grants the Company partial flexibility to delay the receipt dates of some Aircraft, and conversion rights to switch the Aircraft models to other Boeing models, so as to allow adjustment to the Company's needs as being from time to time. The Company also holds rights to terminate the engagement for any aircraft whose receipt date is delayed beyond a certain period, in accordance with the terms specified in the Agreement.

The estimated purchase cost of the Purchased Aircraft, as of their future delivery dates, including replacement engines and spare parts inventory, is expected to total approx. USD 1.5 billion. If the Company decides to exercise the Option Aircraft, the total cost may reach up to approx. USD 2.5 billion, as of their future delivery dates depending on the number of Option Aircraft that will be exercised, price adjustments to be applied on the future delivery dates of the aircraft, credits granted to the Company, etc.

As of 31 December 2025, the Company paid advances of approx. USD 26 million and additional advances will be paid by the Company until the date of receipt of each aircraft, according to the Purchased Aircraft and the Option Aircraft, depending on the number of Option Aircraft that shall be exercised.

The Company will explore the possibility of financing the advances through loans or its own resources, prior to the relevant payment dates. In addition, shortly before receipt of each aircraft, the Company will examine financing options for its purchase, including for repayment of loans used to fund the advances, as aforesaid, insofar as shall be funded.



Note 10 – Fixed and Intangible Assets (Cont.)

D. Return to service and reconfiguration of the Company's wide-body 777 aircraft fleet:

In 2021, the Company retired two (out of six) Boeing 777-200 aircraft, in line with its business plans at that time and due to the impact of the Covid crisis. As a result, the Company recognized an impairment for these two aircraft. Following the recovery from the Covid crisis, and in accordance with the Company's updated business strategy and given the shortage of available aircraft in the market, in 2024 one of the said aircraft was returned to service and reconfigured to the Dreamliner configuration, adapting the aircraft interior and the flight experience to a design similar to the Dreamliner configuration.

As of 31 December 2025, the Company has completed the retrofit and reconfiguration process on two other Boeing 777 aircraft, such that the cost of the retrofit for the three aircraft totaled approx. USD 30 million.

In addition, in 2026, the Company expects to commence the process of refurbishment and reconfiguration of the second aircraft, which was retired in 2021 as specified above. Upon completion of the refurbishment process, the Company will have six active Boeing 777-200 aircraft. In addition, the Company expects that by the end of Q1/2027, all of its 777 aircraft will feature the retrofitted interior configuration.

E. Purchase of Boeing 737-800 aircraft manufactured in 2014:

In 2025, as part of the Company's efforts to increase its production capacity also in the near term and until the arrival of the aircraft as specified in Section C above, the Company signed an agreement with a foreign company for the purchase of two Boeing 737-800 aircraft manufactured in 2014. Prior to their commercial operation, the aircraft will undergo adaptation by the Company to meet its requirements and Israeli regulation. One of the aircraft was delivered to the Company after the date of the Statement of Financial Position, and the second aircraft is expected to be delivered in H1/2026.

F. Purchase of Boeing 737-800 aircraft that are leased by the Company:

In 2025, the Company signed agreements with foreign companies, from which the Company leased aircraft and an engine, for the purchase of four Boeing 737-800 aircraft which had been leased by the Company and a leased engine which continues to be used by the said fleet.

In view of the fact that some of the equipment was purchased before the end of the original lease, a gap arose at the time of the purchase between the right-of-use asset and the lease liability. Furthermore, as a result of the termination of the lease agreements incidentally to the said purchases, the Company's obligations for future overhauls were canceled. The impact of the termination of the lease period and the conclusion of the Company's obligation for future overhauls totaled approx. USD 13.1 million, which was recorded as a reduction in the cost of the owned asset. Additionally, the Company wrote off the balance of the liability in the Statement of Financial Position in respect of its overhaul obligations (primarily under the 'Long-term payables' item), and also wrote off the assets recognized for amounts transferred to the lessor throughout the lease period and recognized as deposits provided as collateral for aircraft lease agreements (see Note 4 above) in the sum of approx. USD 41.0 million.



Note 10 – Fixed and Intangible Assets (Cont.)

G. Accounting policy for the depreciation of the Group's aircraft and flying equipment:

(1) Depreciation of the Group's aircraft and engines:

The cost of the aircraft includes all costs required for the acquisition of the aircraft, including acceptance costs. Additional costs incurred by the Group after the aircraft is accepted are carried to the cost of the aircraft if they represent assets that will serve the Group for multiple periods (significant additions or upgrades to the aircraft's performance or appearance). Current maintenance costs are carried to the statement of profit and loss as they are incurred.

The aircraft are depreciated by separation into components with significant cost –primarily the aircraft fuselage and the aircraft engine, which includes components with a limited lifespan, known as Life Limited Parts (LLP), and the component of the cost of overhaul of the aircraft engine, referred to as "Potential". The aircraft fuselage is depreciated on a straight-line basis over its expected useful life, taking into account the expected residual value at the end of the period, according to the expected residual value of the aircraft at the time of its expected end of use, as estimated by management. The LLP and engine Potential are depreciated based on the actual engine usage hours relative to the expected engine hours until the next overhaul, which depends on, among other factors, the number of takeoffs and landings ("Cycles"), or until the engine is retired, as applicable.

In cases where the Company has entered into insurance-related engine refurbishment agreements, the Group recognizes the expenses (non-depreciation) as defined in the insurance agreements, and the Overhaul cost is covered by the insurer. In these cases, the Potential component is not depreciated.

The Group's aircraft are depreciated over a period ranging from 20 to 29 years.

(2) Spare parts and components:

The cost of expendable spare parts and components is determined on a moving weighted average basis, and is depreciated according to the rate of usage (issuances). In addition, the Group records a specific current provision for impairment of such spare parts.

Rotables and consumables are recognized at their actual cost and are depreciated according to the useful life of the fleet to which they are attributed. Spare parts and components that are not attributed to a specific fleet are depreciated over the average remaining useful life of all the Group's aircraft fleets.

H. Impairment assessment and impairment to fair value net of disposal costs

At the end of each reporting period, the Group examines whether there are any indicators of impairment for the Group's aircraft fleet, which constitute as a whole a single cash-generating unit. The Group's management believes that the positive cash flows generated from the Group's aircraft fleets are not independent of the cash flows from other fleets. This is because the Group's aircraft fleets frequently fly to the same destinations as those of other fleets, making them largely interchangeable and, in any case, all part of the Group's route network managed as a whole by the Group. A recoverable amount is the higher of the net fair value net and value in use of the entire fleet. In assessing value in use, insofar as required, the Group estimates the expected future cash flows from the use of the aircraft (expected contribution) and from their realization at the end of their useful life, discounting them to their present value using a cap rate that reflects the operational risk of the aircraft fleet based on the Group's weighted cap rate. In 2025, the Group did not recognize any indicators of impairment.



Note 10 – Fixed and Intangible Assets (Cont.)

I. Depreciation of other fixed assets and intangible assets:

The balance of the Group's other fixed assets and intangible assets is depreciated on a straight-line basis over the expected useful lives of the various assets.

	As of 31 December 2025			As of 31 December 2024
	Cost	Accumulated Depreciation	Depreciated Cost	Depreciated Cost
	USD in millions	USD in millions	USD in millions	USD in millions
Buildings and facilities	116.1	93.8	22.3	22.4
TAMAM plant (1)	39.7	-	39.7	18.9
Machinery and ground equipment	68.2	51.6	16.7	11.2
Simulators	29.0	0.2	28.9	-
Intangible assets (2)	122.8	58.1	64.6	46.7
Computers and office furniture	16.9	8.2	8.7	6.5
Vehicles and garage equipment	11.6	7.7	3.9	2.8
	<u>404.3</u>	<u>219.5</u>	<u>184.8</u>	<u>108.5</u>

(1) TAMAM plant – Further to TAMAM's winning the IAA's tender for receipt of authorizations for the production, transport, unloading, loading and supply of food and related products for aircraft, TAMAM began the construction of a building. The construction of the building, which had been suspended due to the Covid crisis, was resumed in November 2022. The Company estimates that construction of the building is due to be completed in 2026, *inter alia* due to the impact of the War on the construction industry. The Group is funding its construction from its own resources. In addition, and in accordance with Note 9.B, the Group expects to receive a grant from the IAA for construction of the building in the sum of approx. USD 16.7 million. As of the report date, the Group's aggregate investment in construction of the building, net of the said grant, totals approx. USD 39.7 million.

(2) This balance primarily includes investments in the field of information systems.



Note 11 – Leases

A. Accounting Policies:

(1) General

The Group's aircraft leases, as well as certain other leases such as buildings, including the campus area at BGA which is leased by the Group from the IAA, and vehicles, are recognized as assets and liabilities in the Group's Statement of Financial Position in accordance with the lease term and the contractual lease payments.

The lease term is the period that cannot be terminated by the lessee, plus periods for which there is an option to extend the lease if it is reasonably certain that the Group will exercise the option, and periods for which there is an option to terminate the lease if it is reasonably certain that the Group will not exercise the option to terminate. In determining the lease term, the Group takes into account the economic characteristics of the asset and the lease, including, *inter alia*, the ratio of lease payments to market prices expected upon exercise of the option, the importance of the leased asset to the Group's operations, the cost of its replacement or the investment made therein, or that required in an asset that will replace such leased asset, and the Group's past experience with such assets. Assets where the contract has expired, but the Group continues to use them in exchange for ongoing payments to the asset owner, are recognized as short-term leases, since there is no non-cancellable lease term.

The discount rate used to calculate the present value of the lease payments, as described above, is generally the inherent discount rate of the lease (the IRR on the transaction from the lessor's perspective). Where this rate cannot be easily determined, the Group uses its incremental discount rate (the notional financing cost that the Group would have been required to pay in order to borrow, for a similar period and with similar collateral, the amounts required to acquire the right to use an asset of similar value) on the date of entering into the lease, depending on the lease amount, its average duration, and the nature of the leased asset (i.e., a similar economic environment). The discount rates for the leased aircraft range between 2.9% and 9.1% (of which, for leases of the Group's wide-body aircraft, which constitute the majority of lease liabilities, the discount rates range between 4.3% and 5%), and the discount rates for the leased buildings range between 7% and 8.25%.

Leases with a term of less than one year ("**Short-term Leases**"), as well as leases of low-value assets, are recognized as an ordinary expense and no liabilities or assets are recognized in respect thereof. Variable lease payments that are not dependent on an index or rate are also recognized as an expense in the period to which the variable lease payments relate and are not part of the liability or asset in the Statement of Financial Position. With respect to vehicle leases, the Group has chosen to apply the standard's requirements as a portfolio, as, in the Group's assessment, these leases have similar characteristics.

(2) Maintenance of leased aircraft

The Group's liabilities for the maintenance of leased aircraft towards the lessors are recognized as provisions over the lease term (presented under long-term and short-term payables items, as applicable), against the recognition of current maintenance expenses, in accordance with the usage pattern of the component requiring maintenance and in accordance with the contractual terms of each lease, based on the amount expected to be paid by the Group upon the occurrence of the maintenance event. In contracts where the Group is required to make maintenance reserve payments (payments made to the lessor to ensure the performance of the maintenance work by the lessee), these payments are recognized as a deposit (long-term and short-term deposit, as applicable), which is to be refunded to the Group upon the actual performance of the maintenance work.



Note 11 – Leases (Cont.)

A. Accounting Policies: (Cont.)

(3) Statement of Cash Flows

In the Statement of Cash Flows, the Group classifies as cash flows used for financing activities the portion of the lease payments that represents the repayment of the notional principal of the Group's lease liability. The portion of the payment that represents payment of interest is classified, according to the Group's policy, as cash flows used for operating activities. Additionally, cash flows paid to the aircraft lessors as deposits for securing future maintenance work ("maintenance reserve") are classified as cash flows for investing activities. When the maintenance work is actually performed, the cash flows for the maintenance paid by the Group are classified as cash flows from operating activities, while the repayment of the funds from the collateral (reserve) are classified as positive cash flow from investing activities.

B. Composition and scope of the Group's leases:

As of 31 December 2025, the Group leases 14 aircraft and 2 engines under dry lease (in respect of which the Group recognized assets and liabilities in accordance with IFRS 16 'Leases' ("IFRS 16")). The remaining lease terms range from several months to ~8 years. In addition, the Group's lease agreements also include leases of vehicles and other buildings, including engagements with the IAA, primarily for the campus area at BGA, where the Company's headquarters and facilities are located, the term of the agreement for which is until 31 December 2035, as well as the King David passenger lounge at Terminal 3 at BGA, the term of the agreement for which is until 30 November 2026.

C. Changes in the lease agreements

(1) Dry lease of passenger aircraft

- With respect to engagements in a dry lease of two additional 787 aircraft, see Note 10.B(2) above.
- With respect to agreements signed by the Company in 2025 with foreign companies from which the Company leased aircraft and an engine, regarding the purchase of four Boeing 737-800 aircraft which had been leased by the Company and a leased engine that continues to be used by the said fleet, see Note 10.F above.

(2) Lease of additional buildings

The Group leases a building in an industrial zone in Shoham for the purpose of a simulator center used for pilot training. The term of the lease, plus periods for which extension options exist, is until 2048. Following the said agreement, in 2025 the Company recognized an increase in the right-of-use asset and in the lease liability in the sum of approx. USD 21.1 million.

(1) Right of use for leased assets:

	Aircraft	Buildings and Vehicles	Total
	USD in millions		
Right of use for leased assets – depreciated cost			
Balance as of 1 January 2025	503.5	56.7	560.2
Depreciation for the period	(83.7)	(12.8)	(96.5)
Additions during the period, see Note 11.C(2) above	-	27.4	27.4
Write-off and changes during the period, see Note 10.F above	(8.3)	-	(8.3)
Balance as of 31 December 2025	411.5	71.3	482.8
Balance as of 1 January 2024	578.9	66.6	645.5
Depreciation for the period	(88.6)	(12.3)	(100.9)
Additions during the period	13.2	2.5	15.7
Balance as of 31 December 2024	503.5	56.7	560.2



Note 11 – Leases (Cont.)

(2) Lease liabilities:

	Aircraft	Buildings and Vehicles	Total
	USD in millions		
Lease liabilities			
Balance as of 1 January 2025	612.7	83.6	696.3
Additions during the period, see Note 11.C(2) above	-	27.4	27.4
Write-off and changes during the period, see Note 10.F above	(10.8)	-	(10.8)
Payment of the notional principal component (w/o interest)	(99.5)	(18.5)	(118.0)
Changes in the payable interest, linkage and exchange rate differences and other	-	6.0	6.0
Balance as of 31 December 2025	502.4	98.5	600.9
Current lease liabilities	89.6	17.5	107.1
Long-term lease liabilities	412.8	81.0	493.8
Total lease liabilities as of 31 December 2025	502.4	98.5	600.9
Balance as of 1 January 2024	711.7	92.1	803.8
Additions during the period	13.2	2.5	15.7
Payment of the notional principal component (w/o interest)	(112.1)	(10.8)	(122.9)
Changes in the payable interest, linkage and exchange rate differences and other	-	(0.2)	(0.2)
Balance as of 31 December 2024	612.7	83.6	696.3
Current lease liabilities	105.0	15.8	120.8
Long-term lease liabilities	507.7	67.8	575.5
Total lease liabilities as of 31 December 2024	612.7	83.6	696.3

With respect to the projected payment dates of the liabilities, see Note 14.H below regarding the liquidity risk.

D. Expenses (revenues) recognized in the Statement of Profit and Loss due to leases:

(1) Expenses (revenues) in the Statement of Profit and Loss due to leases for which assets and liabilities have been recognized according to IFRS 16:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions		
Depreciation expenses for right-of-use assets	96.5	100.9	99.0
Interest expenses for lease liabilities	33.0	39.4	42.5
Expenses (income) from exchange rate differences	1.2	(0.4)	(0.1)
Total impact on the Statement of Profit and Loss	130.7	139.9	141.4



Note 11 – Leases (Cont.)

D. Expenses (revenues) recognized in the Statement of Profit and Loss due to leases: (Cont.)

- (2) Expenses in the Statement of Profit and Loss due to leases for which assets and liabilities have not been recognized according to IFRS 16:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions		
Expenses related to short-term leases (*)	79.6	61.2	48.7
Expenses related to leases of low-value assets	3.4	3.3	3.2
Expenses related to variable lease payments not included in the measurement of lease liabilities	16.7	11.8	0.9
Total impact on the Statement of Profit and Loss	99.7	76.3	52.8

(*) This amount is primarily comprised of expenses due to wet leases (leasing the aircraft with its crew), which are typically entered into for short periods.

E. Cash flow for leases in respect of which assets and liabilities were recognized under IFRS 16:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions		
Cash flow for notional principal of leases (financing activities)	118.0	122.9	115.7
Cash flow for notional interest on leases (operating activities)	33.0	39.4	43.1
Total cash flow for lease liabilities	151.0	162.3	158.8



Note 12 – Trade and Other Payables

Current liabilities:

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Airport taxes payable	102.6	98.7
Institutions	57.4	37.6
Payables for foreign airline flight segments not yet redeemed (1)	12.8	7.9
Interest payable	2.6	3.6
Provisions for future refurbishment of leased aircraft (see Note 10.A)	8.4	21.1
Current tax liability	6.7	-
Other payables (see also Section (2) below)	64.6	15.5
Total	255.3	184.3

- (1) This balance reflects the amounts of flight tickets that have been sold by the Group, which it is required to transfer to foreign airlines that will carry out the flights.

(2) Operation Rising Lion

As stated in Note 1.B above, on 13 June 2025, Operation Rising Lion commenced. Immediately upon its launch, the State authorities announced a full and complete closure of Israel's airspace for takeoffs and landings. On 25 June 2025, upon conclusion of the Operation, BGA's airspace was reopened for scheduled flight operations. Therefore, from 25 June 2025, in line with the directives of the competent State authorities, the Company began gradually resuming its flight operations, fully returning to normal activity on 1 July 2025.

During the days in which BGA's airspace was closed, the Company did not conduct scheduled flight operations, and all of its flights were canceled (except for a limited number of rescue flights during part of the period), despite the fact that during this period the Group continued to bear most of its expenses (including payroll costs and capital and financing costs relating to the Company's aircraft). This situation, in which the Group continued to incur such costs without the ability to generate revenues, together with additional costs incurred by the Company as a result of the Operation, such as transportation expenses and fees for aircraft parking overseas, costs of enhanced security measures for aircraft and crew, hotel and per diem expenses for Company crews stranded overseas, the transfer of crews, the rescue of the Company's customers and Israelis who were overseas during the Operation, through a shipping company etc., led to an adverse impact on the Group's business results in a total amount of approx. USD 100 million (before tax effects), which amount includes, *inter alia*, the effect of loss of revenue and a provision (reduction of revenue) for passenger compensation in accordance with the Aviation Services Law, as detailed below.



Note 12 – Trade and Other Payables (Cont.)
Current liabilities: (Cont.)
(2) Operation Rising Lion (Cont.)

Upon the conclusion of Operation Rising Lion, several discussions were held at the Economic Affairs Committee regarding implementation of the provisions of the Aviation Services Law under the circumstances that arose. At the end of these discussions, the Committee unanimously adopted a resolution in which it was clarified that in a situation where, as a result of the closure of Israel's airspace due to the state-initiated Operation, all flights were canceled by all airlines, the Committee believes the responsibility for compensation rests with the State, as was customary in other contexts concerning compensation for war damage. In addition, the Economic Affairs Committee was of the opinion that it would be right and just to formulate an outline determining division of the damage between the State, the airlines, and the passengers, and since no such outline had been presented thereto, the Committee believed that the responsibility for compensation rests with the State. Further thereto, and in view of disagreements between the various government ministries preventing the formulation of an outline, the Committee decided to approach the Prime Minister requiring that he take action on the matter and lead to an adequate and appropriate compensation outline without delay, both for passengers whose flights were canceled during the Operation and for the airlines that suffered heavy losses.

In addition, in December 2025, IATA, together with other companies and entities in the aviation industry, filed a petition with the High Court of Justice to order the Minister of Transport, the Minister of Economy, and the Knesset's Economic Affairs Committee, to show cause why an order should not be granted pursuant to Section 9A of the Aviation Services Law, retroactively determining, in respect of the entire period affected by Operation Rising Lion, that accommodation services under the Aviation Services Law shall be limited to a period of two nights; an exemption from payment of statutory compensation in relation to all flights affected during Operation Rising Lion; a passenger's entitlement to an alternative flight ticket shall be to a ticket from a different point of origin and/or to a different destination than those stated in the original ticket. In December 2025, the Company filed a motion to join the petition as a party. The respondents filed their response to the petition, in which they argued that the petition should be dismissed.

Against this background, based on the existing legislation, the HCJ proceeding and according to the management's assessment and based on the opinion of its legal counsel, the Group recognized a provision (revenue reduction) in respect of the exposure related to the costs in respect of such aid services.

See Note 16.B(7) below for details regarding claims filed against the Company on this matter.



Note 12 – Trade and Other Payables (Cont.)

Non-current liabilities:

	As of 31 December	
	2025 USD in millions	2024 USD in millions
Provisions for future refurbishment of leased aircraft	110.2	129.2
Provision for CORSIA scheme (1)	15.5	0.4
Positive balance due to an amount received in advance for fuel consumption (2)	9.7	9.4
Total	135.5	138.6

(1) Provision for CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation)

In early July 2025, the Aviation Regulations (Implementation of Annex 16 to the Convention on CO₂ Emissions), 5785–2025, took effect, which address the implementation of the provisions of Annex 16 to the Convention on CO₂ emissions from aircraft, with the method of regulation being by reference to the provisions of the Annex itself. The significance is the official application of the Annex's provisions to the Company, including measuring and reporting emissions, and offsetting excess emissions by purchasing emission units to be offset through carbon markets from reservoirs approved by ICAO. In 2025, following the increase resulting from the change in the projected costs of offsets, based on changes in the market prices at which they are currently traded (an update from USD 17 per ton to USD 20 per ton), as well as from a change in the number of offsets expected to be required to be surrendered, due to a forecasted increase in fuel consumption according to relevant IATA estimates from which the number of offsets required by the countries participating in the scheme is derived.

For the current phase of the scheme (Phase 1, 2024–2026), a three-year accounting will be performed, while the final number of required offsets will be known to the Company in 2027, and the actual retirement is required by Q1/2028 (in practice, the Company may choose to purchase and retire a portion of the offsets earlier). The number of offsets required for 2024 is already known, while the requirement for 2025 is an estimate at this stage.

Accordingly, the Group recognized, as of the date of the Statement of Financial Position, a provision of approx. USD 15.5 million, such that approx. USD 8.4 million was recorded under the 'fuel expenses' item in 2025 in respect of the payment forecast for the estimated emissions in the report period, and an additional approx. USD 7.1 million was recorded as an expense under the 'other expenses, net' item in respect of the payment forecast for the estimated emissions for previous years.

- (2) In February 2022, the Company received approx. USD 12 million from the State as an advance payment for excess fuel consumption and for Level A current maintenance activities in connection with a civil aviation defense system installed on the Company's aircraft (pursuant to an agreement between the State and the Company as of 30 September 2014) for the period from 1 January 2022 to 31 December 2041.



Note 13 – Recognition of Revenue and Deferred Revenue

A. Background and accounting policy

(1) Revenue and deferred revenue from flight tickets and FFP points

Flight ticket sales are included as deferred revenue until the time of the flight, at which time revenues are recorded in the statement of profit and loss. Revenues from passenger transport also include revenues for which the service is provided by the Group whereas the sale of the flight tickets was carried out by other airlines. Furthermore, the revenues from passenger transport also include revenues arising from collaboration agreements with other airlines. In such cases, where the service is provided by other airlines whereas the sale was carried out by the Group, revenues are presented on a net basis, i.e., the Group collects the proceeds arising from the passenger transport, transfers the share of the other airline to that airline, and only recognizes revenue in respect of the difference between the two.

Flight ticket sales for which the Group rewards its customers with flight points in the context of the FFP, which may be converted into flights (or other products) at a later date, are separated into performance obligations, while allocating the payment received from the customer for the flight component and for the points component, based on the separate theoretical sale price of the flight point as estimated by the Group. The consideration attributed to FFP points will be recognized as revenue at the time of the Group's provision of the service in exchange for the redemption of points, or upon redemption thereof in other channels. Until the revenue recognition date, the liability in respect of FFP points is recognized as deferred revenue.

Proceeds from the sale of FFP points to business partners are mostly included as deferred revenue and recognized as revenue at the time of the Group's provision of the service in exchange for the redemption of points, or upon redemption thereof in other channels. The difference between the amount received from the sale of points to business partners and the amount to be recognized as revenue upon the provision of the service by the Group as aforesaid, is recognized as revenue at the time of the sale of the points under the 'Revenue from the loyalty program component' item. For significant accounting judgments and key estimates used in determining the value of the liability in respect of FFP points in the financial statements, see Note 2.C(5).

(2) Bonuses from the credit companies

Bonuses from credit card companies that were received by the Group in 2019 as part of an agreement for issuance and operation of branded credit cards to the members of the Group's FFP were recognized as deferred revenues and are amortized to profit or loss (under the 'Revenue from the loyalty program component' item) so as to reflect the term of the agreement to which the bonuses are attributed (the period during which the agreement cannot be terminated by any of the parties without a substantial penalty). Due to the notional financing component (according to GAAP) comprised in some of the bonuses received, the Group recognizes notional interest expenses against increase of the amount of the deferred revenue, which, in the future, shall increase the amount recognized as revenue.

(3) Revenue from cargo transport

Revenues from cargo transport are recognized when the cargo is delivered to its destination. Revenues arising from collaboration with foreign companies are recognized on a gross basis, i.e., the sale to the customer is fully recognized as revenue, whereas the payment to the other airline is recognized as an expense, because in these transactions, distinctly from passenger transport, the Group serves as the primary provider also for flight segments that are carried out by other airlines.



Note 13 – Recognition of Revenue and Deferred Revenue (Cont.)

A. Background and accounting policy: (Cont.)

(4) Revenue and deferred revenue from flight tickets for transport of aviation security personnel

According to an agreement with the State from 2021, the Company received from the State an advance payment in the amount of USD 210 million for transport of aviation security personnel that are recognized over a period of 20 years commencing in May 2021. This agreement constitutes an agreement with a significant financing component as defined in IFRS 15 – Revenue from Contracts with Customers. Therefore, the Group recognizes revenues over the period reflecting the revenue stream that would have been received but for such financing component, as well as financing expenses reflecting such financing component.

In order for both components to be reflected in the agreement, in 2021 the Group estimated the cap rate that would result in a separate hypothetical financing transaction with a reasonable market player at that time at a rate of ~17.2%, whereas the difference between the actual cash flow generated and the notional cash flow under the transaction (the amount estimated as the amount that would have been received from the State during the years of the agreement, had it not been received in advance) discounted at such cap rate (the “**Discounted Amount**”) constituted a government grant in the amount of approx. USD 69 million.

Accordingly, the Discounted Amount was recognized at the time of receipt thereof as a sale agreement with a significant financing component. Consequently, deferred revenue was recognized in respect thereof for sale of the availability of flight seats, and throughout the reporting period over the term of the agreement with the State, on the one hand, a financing expense in the amount of the notional interest is recognized, and on the other hand, revenues at the notional amount that would have been paid for the same reporting period had the consideration not been paid in advance are recognized. The difference between the financing expenses and the revenues is offset in the balance sheet against the balance of deferred revenue liabilities.

B. Current liabilities:

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
From the sale of flight tickets	810.3	812.0
In respect of vouchers	106.7	118.2
In respect of FFP points	189.3	166.9
Bonuses from credit card companies	4.7	6.5
Other	4.6	4.9
Total	1,115.5	1,108.5

C. Non-current liabilities:

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
In respect of FFP points	90.9	69.7
Bonuses from credit card companies	6.9	9.6
Transport of aviation security personnel	154.5	155.0
Total	252.4	234.4



Note 13 – Recognition of Revenue and Deferred Revenue (Cont.)

D. Movement in liability for FFP points:

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Opening balance	236.6	178.5
Increase in liability due to point accrual	235.6	202.9
Decrease in liability due to point redemption and expiration	(192.0)	(144.9)
Closing balance	280.2	236.6

The movement in the liability as detailed above constitutes the movement in liability related to the Group's FFP points, which includes, among other things, the decrease in the liability due to the redemption and expiration of points originating both from the accrual of flight points (earned through the purchase of flight tickets) and the accrual of external points (primarily earned through credit card purchases).

The decrease in the liability in 2025 in the sum of approx. USD 192.0 million reflects the redemption and expiration of points redeemed both by purchasing EL AL services and by purchasing products and/or services from external partners. Additionally, the increase in the liability in 2025 in the sum of approx. USD 235.6 million mainly derives from the accrual of points both from purchases related to flights and from credit card purchases made by FFP members.

For details regarding the revenue from the loyalty program component, see Note 20.A below.



Note 14 – Loans

A. Accounting policy

The loans taken by the Group are initially recognized at the amount obtained, after deduction of transaction costs and fees paid, primarily in respect of guarantees that are provided to the Company by third parties, such as the guarantee by the Export-Import Bank of the United States (EXIM) and the government agency UK Export Finance (UKEF) and a consortium of insurance companies that provides insurance policies to banks by means of an insurance policy by AFIC (Aircraft Finance Insurance Consortium) (see below).

After the initial recognition date, loans are measured at amortized cost using the effective interest method. Where a change occurs in the terms and conditions of the loan, the Group examines whether it constitutes a material change in the terms and conditions of the debt.

With regards to the accounting policy relating to a loan received against the assets of the FFP, see Note 14.C below.

Composition:

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Loans received against the Company's aircraft	623.6	748.5
Loan received against assets of the FF Company	32.6	54.4
Utilization of credit facilities	19.4	19.9
Total loans from financial entities, see Note 14.B	675.6	822.8
Loan from the Controlling Shareholder (see Note 14.D)	-	9.8
	675.6	832.6



Note 14 – Loans (Cont.)

B. Movements and balances in respect of loans from financial institutions

	Fixed- Interest Loans USD in millions	Variable- Interest Loans (SOFR) USD in millions	Short-Term Credit USD in millions	Total USD in millions
For the year ended 31 December 2025:				
Effective interest-rate weighted average (%) (*)	(**) 3.4	(***) 4.1	7.2	
As of 1 January 2025:				
Current maturities	48.3	104.4	19.9	172.6
Long-term loans	170.6	479.6	-	650.2
Total loans from financial institutions	218.9	584.0	19.9	822.8
Movements during 2025:				
Current repayments (1)	(49.8)	(104.6)	-	(154.4)
Movement in overdraft and other changes	3.0	4.6	(0.5)	7.1
Total loans from financial institutions as of 31 December 2025	172.1	484.0	19.4	675.6
Of which: current maturities	37.2	87.7	19.4	144.3
Total long-term loans	134.9	396.3	-	531.3

(1) The repayment amount of variable-interest loans includes repayment of a balloon component of a loan that was repaid according to the original payment schedule in the sum of approx. USD 16 million.

(*) The interest rate does not include effective interest due to impairment of fees for the guarantees specified in Note 14.F(2) below.

(**) The interest rate does not include accounting effective interest which was recognized in respect of the Phoenix loan, as specified in Note 14.C.

(***) The interest rate does not include the impact of hedging. See Note 19.F below on the impact of the interest hedging.



Note 14 – Loans (Cont.)

B. Movements and balances in respect of loans from financial institutions (Cont.)

	Fixed- Interest Loans USD in millions	Variable- Interest Loans (SOFR) USD in millions	Short-Term Credit USD in millions	Total USD in millions
For the year ended 31 December 2024:				
Effective interest-rate weighted average (%) (*)	(**) 3.8	(***) 6.7	6.1	
As of 1 January 2024:				
Current maturities	44.2	112.6	19.5	176.3
Long-term loans	250.7	603.9	-	854.6
Total loans from financial institutions	294.9	716.5	19.5	1,030.9
Movements during 2024:				
Prepayment of loans	(23.2)	(35.6)	-	(58.8)
Current repayments	(42.6)	(104.8)	-	(147.4)
Movement in overdraft and other changes	(10.1)	7.9	0.4	(1.7)
Total loans from financial institutions as of 31 December 2024	218.9	584.0	19.9	822.8
Of which: current maturities	48.3	104.4	19.9	172.6
Total long-term loans	170.6	479.6	-	650.2

(*) See comments on the previous page.



Note 14 – Loans (Cont.)

C. Loan received against FFP assets

- In June 2022, the FF Company engaged in a loan agreement with The Phoenix Insurance Company Ltd. ("Phoenix") in the sum of USD 130 million, which was provided for a period of 6 years and, according to the agreement, will be repaid by the FFP in quarterly payments (principal and interest) with a loan interest rate in the range of 5.5% to 8%, depending on the FF Company's meeting of financial ratios (the "**Original Loan Agreement**").
- Under the Original Loan Agreement, the Company and the FF Company signed a deed of option for Phoenix to purchase up to 25% of the shares in the FF Company, which can be exercised at any time until the end of the loan period and, in accordance with certain terms and conditions, for an additional year (the "**Phoenix Option**" or in this note the "**Option**"). The exercise price in the Phoenix Option deed is agreed upon and adjusted to agreed variable financial parameters. According to the said deed of option, the Option can be exercised by payment to the Company in accordance with the formula determined as well as by way of setoff against the FF Company's loan balance, or part thereof. As aforesaid, the exercise price of the Option is in accordance with a formula determined in the deed of option, which in part varies in accordance with certain parameters that have been determined. I.e., the Phoenix Option which also includes an option component which confers on the lender the right to convert the loan into shares of the FF Company, or alternatively to purchase the FF Company shares from the Company, with a variable exercise price. Accordingly, the loan agreement, including the Option, constituted a hybrid contract which includes an embedded derivative that is measured at fair value through profit and loss, with the balance of the amount in the sum of approx. USD 103 million recognized as a financial liability measured at an amortized cost. Since the Option amount was deducted from the aforesaid loan, the effective interest rate of the loan ranges between ~14.5%-15.5%.
- The Original Loan Agreement provides, over and above the aforesaid regarding the FF Company's equity to assets ratio, that the FF Company is required to meet standard undertakings in agreements of this type, including the undertaking not to take additional loans other than under the terms and conditions set forth in the Original Loan Agreement, undertakings to comply with financial covenants of a debt to EBITDA ratio of no more than 7 in the first year, and declining for each year of the loan up to 5.5, etc. In addition:
 - a. The Original Loan Agreement includes various standard clauses for transactions of this type, including the possibility of accelerating the loan upon the occurrence of default events listed in the Original Loan Agreement, including in case of the FF Company's failure to meet financial covenants as specified above (and subject to a remediation mechanism in the Original Loan Agreement), the breach of material undertakings by the Company or the FF Company under intercompany agreements between the Company and the FF Company ("**Intercompany Agreements**"), or under agreements with the credit card companies for the issuance of branded credit cards (the "**Agreements with the Credit Card Companies**"), and if a financial creditor of the FF Company is entitled to accelerate a debt of the FF Company (cross default), all in accordance with the Original Loan Agreement and the addendum thereto.
 - b. The loan has been secured by a floating charge on all assets and rights of the FF Company, including a bank account of the FF Company, and by a fixed charge on the rights of the FF Company under the Agreements with the Credit Card Companies and under the Intercompany Agreements.
 - c. The loan has been secured by a fixed charge on all the FF Company's shares owned by the Company, which shall, at all times throughout the term of the loan, represent at least 51% of the issued share capital of the FF Company.



Note 14 – Loans (Cont.)

C. Loan received against FFP assets (Cont.)

- In September 2022, Phoenix exercised most of the Option through the purchase of 19.9% of the FF Company shares from the Company.
- On 31 December 2024, the Company signed an addendum to the Original Loan Agreement together with the FF Company and Phoenix, under which the FF Company prepaid an amount of USD 30 million. The repayment amount was deducted from the loan principal in the contractual payment schedule from the end of the loan period, thus shortening the loan period until 30 June 2027.
- In the said addendum, it was agreed between the FF Company and Phoenix that Phoenix shall commit to providing the FF Company with a credit facility for the taking of a future loan up to the prepayment amount, in the sum of USD 30 million, under the same terms and conditions as determined in the Original Loan Agreement and for the period of the original loan. Furthermore, the equity to assets financial covenant of the FF Company was updated to no less than 30% instead of 45% as determined in the Original Loan Agreement, and additional adjustments were also made with respect to the FF Company's liabilities, including cancelation of the option of accelerating the Phoenix loan if a financial creditor accelerates a debt of the company thereto according to the terms set forth in the Original Loan Agreement. As of 31 December 2025, the nominal interest rate of the Phoenix loan is 5.5%.
- As of 31 December 2025, the subsidiary is in compliance with the financial covenants as aforesaid.
- It was further agreed that the calculation of the exercise price for the remainder of the Phoenix Option to purchase the FFP shares shall be based on the cash balances of the FF Company as of 31 December 2024. Furthermore, it was determined that the exercise date of the Option shall not be earlier than 30 June 2025, and the Company may defer the exercise date until 31 December 2025. It was further determined that should Phoenix exercise the Option after 31 December 2025, the exercise price of the Option shall be calculated in accordance with its definition in the warrant signed under the Original Loan Agreement. The Company has exercised its right to defer the exercise of the Option such that it shall not occur before 31 December 2025.
- On 29 October 2025, Phoenix notified the Company of the exercise of the remainder of the Option for 5.1% of the FF Company's shares, by way of acquisition of the FF Company's shares from the Company, subject to receipt of regulatory approvals. In view of Phoenix's notice that exercise of the Option will be by way of acquisition of shares from the Company, on the date of the exercise notice the liability was settled by the FF Company (and transferred to the Company), and accordingly, an amount of approx. USD 7.3 million was recorded in the Company's Statement of Changes in Capital as a transaction with non-controlling interests.
- After the date of the Statement of Financial Position, Phoenix reported that all of the required regulatory approvals had been obtained, and exercised the remainder of its Option. In respect of the exercise of the remainder of the Option as aforesaid, approx. USD 7.7 million was received by the Company after the date of the Statement of Financial Position. As of the report release date, the Phoenix Group holds a total rate of 25% of the issued and paid-up share capital of the FF Company.

D. Loans from the Controlling Shareholder

In April 2024 and further to Note 18.B below regarding the equity issue by the Company, the Company repaid approx. USD 60.2 million as part of the loans provided to the Company by the controlling shareholder "Kanfei Nesharim Aviation Ltd." (the "**Controlling Shareholder**") in 2021-2022. In December 2025, the Company repaid the balance of the loan from the Controlling Shareholder in the sum of approx. USD 9.8 million. See Note 21.C(3) below for further details.



Note 14 – Loans (Cont.)

E. Financing of the acquisition of the 17th Boeing 787 aircraft (Dreamliner)

In November 2024, the Company entered into an agreement with a syndicate of Israeli banks to finance the acquisition of the 17th Boeing 787 aircraft (the "Aircraft" and the "Agreement", as applicable. See also Note 10.B above). Under the Agreement, the Company will be provided with a loan of USD 120 million for acquisition of the Aircraft. The Company may draw down the amount of the loan over the course of around two years from the date of receipt of the Aircraft, and, in any case, the Company must draw down the amount no later than around two years from the said date, with the amount that is drawn down being according to the payment schedule set forth in the Agreement at the time of the drawdown.

The accounting treatment for an arrangement of this type is recognition of a prepaid expenses asset for the fee paid until the date of drawdown of the loan, as transaction costs to be recorded as part of the financing expenses in the period in which the loan is provided to the Company, immediately after the date of drawdown thereof, until its repayment, according to the effective interest method, to be calculated at the time of drawdown of the loan.

F. Collateral and loan-to-collateral ratio

The following table lists the collateral provided against the loans, and, where relevant, the required ratio of outstanding balance to collateral value:

Source of Finance	Carrying amount as of 31 December 2025	Aircraft and spare engines and other assets serving as collateral	Required ratio of outstanding balance to collateral value
	USD in millions		
Local bank (1)	7.7	1 737-900 aircraft	80%
		4 spare engines	
		3 737-900 aircraft	
		1 777-200 aircraft	
Foreign banks and bonds issued by an SPC (2)	637.4	4 787-8 aircraft	-
		4 787-9 aircraft	
The Phoenix loan with a fixed charge on shares in the FF Company (3)	32.6	Issued share capital of subsidiary	-

- (1) The credit agreement provides that the ratio of the bank debt balance to the market value of the encumbered aircraft shall not exceed the ratio of the outstanding balance to the value of the collateral (LTV) as specified in the above table. An examination of compliance with this ratio shall be conducted based on certain international professional publications determined with respect to the market value of the aircraft. Furthermore, it is stipulated that insofar as the actual collateral ratio is lower than the above rate, the Group will provide additional collateral, or will prepay the loan, in order to comply with the required ratio. As of 31 December 2025, the Company complies with the financial covenants of the outstanding balance to collateral value (LTV) ratio.
- (2) Loans that were taken for the purpose of aircraft and engine financing include a cross-default mechanism against the loans and other liabilities. In addition, some of the loans are secured by EXIM or UKEF guarantees or by AFIC insurance policies. In addition, some of the loans were financed by means of bonds issued by SPCs which are not owned by the Group and are secured by an EXIM guarantee, with the principal and interest payments that the Group pays the SPC serving as the source for repayment of the bonds.
- (3) See Note 14.C above for details.



Note 14 – Loans (Cont.)

F. Collateral and loan-to-collateral ratio (Cont.)

The Company's loans include a material cross-default clause, where a breach of a provision or condition in the loan (according to the terms set out in the relevant loan agreement) will give the lenders the right to demand acceleration of the loans, the total amount of which meets the quantitative criteria of the definition of a material loan, provided that none of these loans individually meets the definition of a material loan, all in accordance with the position of the Securities Authority regarding a reportable credit event. In addition, some of the existing loans as of 31 December 2025, may be prepaid by the Group, as is customary. Some of the agreements of the loans taken by the Group include the bank's right to demand acceleration of the balances of the loans provided by the relevant bank upon the occurrence of certain events, commonly found in financing transactions.

G. Fair value of loans:

	As of 31 December 2025		As of 31 December 2024	
	Book Value	Fair Value	Book Value	Fair Value
	USD in millions	USD in millions	USD in millions	USD in millions
Fixed-interest loans from financial institutions	172.6	162.5	219.5	206.3

The fair value of the loans is based on a calculation of the current cash flow value according to the interest curve at that time (Level 2 – based on observable data). Apart from the loans listed in the above table, the fair value of the other financial assets and financial liabilities is approximately equal to their book value.

Apart from the loans listed in the above table, the fair value of the other financial assets and financial liabilities is approximately equal to their book value.

H. Liquidity risk in respect of loans and leases:

The table below lists the contractual due dates of the Group's liabilities for loan principal and interest payments and minimal lease payments for aircraft and other leases. The table was prepared based on undiscounted cash flows according to the contractual time at which the Group is required to repay its obligations.

	Y2026	Y2027	Y2028	Y2029	Y2030 forth	Total
	USD in millions					
Current loan principal repayments	121	102	138	186	134	681
Current lease principal payments	107	100	102	96	196	601
Total current repayments	228	202	240	282	330	1,282
Payments to be included in the Statement of Profit and Loss and therefore included in the cash flow from operating activities:						
Loan interest payments (1)	28	19	14	9	6	76
Lease interest payments	28	23	19	14	35	119
Total interest payments	56	42	33	23	41	195
Total payments	284	244	273	305	371	1,477



Note 14 – Loans (Cont.)

H. Liquidity risk in respect of loans and leases: (Cont.)

- (1) The interest payments in respect of the loans do not include interest hedging payments. As concerns the liquidity risk in respect of derivative financial instruments, including interest hedging, see Note 19 below.
- (2) The amounts in the above table do not include amounts to be paid by the Company in respect of the taking of future loans or future leases, *inter alia*, for aircraft expected to be purchased or leased by the Company as specified in Note 10 above. Also the above table does not include the expected repayments due to the expected loan for the 17th aircraft as specified in Note 14.E above.
- (3) Repayment of the loans in 2028 and 2029 includes repayment of a balloon component in some of the loan agreements in the sum of approx. USD 53 million and approx. USD 115 million, respectively. Some of the repayment amounts stated in 2030 forth also include balloon balances. The Company will consider refinancing and rescheduling these balloon components shortly before the maturity date.

The Group's sources for repayment of such liabilities are the Group's current cash flows from its current business operations. Additionally, the Group has high liquidity balances, as detailed in the Statement of Financial Position, which are expected to assist in meeting both its existing and future liabilities related to the purchase of the aircraft as mentioned.



Note 15 – Employee Benefit Liabilities

A. Accounting policy:

(1) Post-employment benefits:

Post-employment benefits include retirement and severance pay liability, including a retirement bonus for longtime pilots, sick leave encashment, adjustment bonuses for senior employees and certain benefits for retirees of the Group. The Group's post-employment benefits are in part defined contribution plans and in part defined benefit plans.

Expenses in respect of the Group's obligation to deposit funds under defined contribution plans are recorded in the statement of profit and loss at the time of receipt of the work services for which the Group is obligated to effectuate the deposit.

Expenses in respect of defined benefit plans are recorded in the statement of profit and loss according to the projected unit credit method, using actuarial assessments.

The cost of the service as well as exchange rate differences from revaluation of the net liabilities are recorded under the payroll expenses item. The net interest cost (after setoff of the return on plan assets) is included in the statement of profit and loss under financing expenses. Actuarial profits and losses in respect of post-employment plans are recorded under other comprehensive income at the time they are formed and will not be reclassified to profit or loss at a later time.

The plan assets are measured at fair value. Interest income from the plan assets is determined based on the cap rate of the relevant obligations and recorded in profit and loss as part of the net interest cost. The difference between the interest income from the plan assets and their actual yield is recorded under other comprehensive income and will not be reclassified to profit or loss at a later time.

(2) Other long-term employee benefits:

Other long-term employee benefits are benefits that are expected to be used during a period exceeding 12 months from the end of the period in which the benefit-entitling service was provided.

Other employee benefits mainly consist of use and encashment of days of leave and rest and an educational grant for employee's children. These benefits are recognized and measured in the same manner in which post-employment benefits are recorded, provided that actuarial profits and losses in respect thereof are recorded in profit and loss at the time of formation thereof, *in lieu* of being recorded under other comprehensive income.

(3) Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be fully settled within 12 months of the end of the year in which the entitling service was provided by the employee.

Short-term employee benefits include the Group's current payroll liabilities and profit bonuses. Such benefits are recorded in the statement of profit and loss at the time of formation thereof.

(4) Dismissal benefits and early retirement plans:

Dismissal benefits are recognized when the Group is liable to the employees for grant of the benefits from a practical standpoint, other than against a material future service by such employees. The amount of the liability is determined according to the current value of the projected cash flows in respect of the liability.

(5) For significant accounting judgments and key estimates used in determining the value of the liability in the financial statements, see Note 2.C(3).



Note 15 – Employee Benefit Liabilities (Cont.)

B. Composition:

			As of 31 December 2025		As of 31 December 2024	
			Current Liabilities	Non-Current Liabilities	Current Liabilities	Non-Current Liabilities
	Reference	Plan Currency	USD in millions	USD in millions	USD in millions	USD in millions
Short-term employee benefits:						
Payroll expenses		Mostly ILS	102.5	-	81.6	-
Provisions for profit-based bonuses (1)		Mostly ILS	67.2	-	83.8	-
Post-employment benefits:						
Benefits for retirement and severance pay in Israel	C	ILS	-	17.0	-	15.9
Sick leave encashment	D	ILS	-	34.0	-	29.9
Retiree benefits	F	ILS	-	6.7	-	5.8
Other post-employment benefits	G	ILS	-	6.4	-	4.3
Other long-term employee benefits:						
Liability for leave days and rest (2)	I1	ILS	77.4	-	58.9	-
Other long-term benefits	I2	ILS	-	7.3	-	5.1
Dismissal benefits:						
Voluntary retirement plans		ILS	(1.2)	-	(0.9)	-
Total in the Statement of Financial Position			245.9	71.4	223.4	61.0

- (1) See Note 20.E for further details. In addition, some of the profit-based bonuses are paid throughout the report year for which they are paid.
- (2) The leave and rest liability is presented in the Statement of Financial Position as a current liability, despite the fact that most of it is expected to materialize after a 12 month period as of the reporting date (which is why it is defined as a long-term benefit), because the Company may not postpone the settlement of the liability for this period, and therefore, under accounting principles, the liability is presented as short-term.



Note 15 – Employee Benefit Liabilities (Cont.)

C. Benefits in respect of retirement and severance pay of employees in Israel:

(1) The Group's obligations in respect of retirement and severance pay in Israel (for permanent employees under the collective bargaining agreement):

The Group's employment agreements, Israel labor laws and the Severance Pay Law, 5723-1963 obligate the Group to pay severance pay to employees upon their dismissal or retirement.

Arrangement for retirement and severance pay of the Group employees:

Since September 1992, the social benefits of some of the Group's employees are regulated under a designated pension agreement (the "**Agreement**"). The Agreement stipulates that the Group's payments to the pension fund and an accredited fund (managers' insurance or provident fund) in respect of an employee that joins the pension arrangement shall be *in lieu* of the duty to pay severance pay to that employee under Section 14 of the Severance Pay Law, 5723-1963, in respect of such portion of the salary and such period for which the payments were made. For the most part, employees that earned permanent employee status after the aforesaid date were required to join the plan. It is further noted that most of the employees who have joined the Company since September 1992 have signed for Section 14 as noted (regardless of whether they are permanent, temporary or under personal contract employees).

Defined contribution plan:

Accordingly, the current contributions into pension funds and policies with insurance companies exempt the Group from any further liability to employees, and as relates to longtime employees who joined the pension agreement in 1992 – such exemption relates only to such periods for which contributions were made.

Defined benefit plan:

As concerns the period between commencement of the employees' employment with the Company and the date of the employees' addition to such pension agreement, employees are entitled to severance pay according to their salary at the time of their departure from the Group, for the number of years in such period. Employees who shall not have joined the said pension agreement are entitled to severance pay in the amount of their salary at the time of their departure from the Group for all the years of their tenure with the Company.

(2) Arrangements and plans for securing the retirement and severance payments (the plan assets):

Under the provisions of the collective bargaining agreement, the Group has deposited 8.33% of the employees' current salary into severance provident funds with Israeli banks under the Group's name. Under an agreement signed on 22 December 2011, in view of a legislative arrangement that took effect on 1 January 2011 and which no longer allowed the deposit of severance pay in a central severance fund, as concerns longtime employees for whom severance funds had been deposited into a central fund until 31 December 2010, the funds would be deposited as of 1 January 2011 as a severance component in a provident fund under the employee's name. At present, the plan assets mostly comprise personal employee funds that are managed by market leading investment firms.

(3) Retirement bonus for longtime pilots:

When they reach 65 years of age, at which time they may no longer serve as active pilots under the Aviation Regulations, the employment of longtime pilots who do not serve as instructors or supervisors with the Company is terminated and they are entitled to a retirement bonus (over and above the severance pay to which they are entitled by law) in such amounts as determined in the agreement. This obligation is paid out of the Group's current sources.



Note 15 – Employee Benefit Liabilities (Cont.)

D. Sick leave encashment:

Upon their mandatory retirement from the Group or their retirement after the age of 45 under terms that entitle them to severance pay, permanent employees (other than employees under personal contracts) are entitled to leave encashment according to such conversion formula as specified in the collective bargaining agreement. Of note, the permitted sick leave accrual cap for some of the employees is higher than the law prescribes and depends on the date of commencement of their employment with the Company. This liability is paid out of the Group's current sources.

E. Pension funds of some of the Group's local employees in the U.S. and in England:

Some of the Group's local employees are entitled to pension plans (the "Plans"), under which the Group pays the cost of the pension of the employees of those representative offices. The pension cost is calculated as the product of multiplication of the "years of eligibility" for pension by the rate of the effective salary for pension purposes. Retirement at or after the age of 65 usually entitles the employee to full benefits. The assets of the pension funds are managed by a specifically designated body and are invested, for the most part, in marketable securities.

In 2023, the pension plan for local employees in the U.S. was terminated, and it was effectively settled in 2024. The net settlement cost totaled approx. USD 5 million, in addition to amounts withdrawn from the plan assets. The accounting gap at the time of settlement, totaling approx. USD 1 million, was recognized as a reduction in payroll expenses in 2024.

In England, the pension scheme was closed to new entrants in 2005, and no additional accrual of rights is performed thereunder. Since the payments in respect of the obligation are primarily funded by the assets of the plans, and in view of the deficit that existed in the pension plans, the Group supplemented certain amounts in respect of the obligations also from its own resources. However, during 2024, and subsequently also in 2025, as a result of supplementation of amounts for the plan assets and due to the increase in the discount interest rate, the balance of the plan assets exceeded the balance of the liability by approx. USD 0.4 million and approx. USD 2.5 million, respectively. In view of the fact that the Company does not anticipate being able to return the excess funds as mentioned above, and in accordance with IAS 19 - Employee Benefits, the Company recognized this impact as remeasurement of net liability in the other comprehensive income.

F. Retiree benefits:

After they retire (subject to tenure), Company employees are entitled to receive flight tickets and holiday gifts in accordance with the Group's policy.

G. Other post-employment benefits:

Other benefits include an adjustment bonus to which some of the Group's senior employees are entitled. Furthermore, in some of the Group's overseas representative offices, the Group's local employees are entitled to severance pay in accordance with local laws and in accordance with the Group's agreements. Moreover, other benefits include the employment termination liabilities of the subsidiaries.



Note 15 – Employee Benefit Liabilities (Cont.)

H. List of the quantitative effects of defined benefit plans on the Financial Statements

	Retirement and Severance Pay in Israel	Sick Leave Encashment	Pension Funds	Retiree Benefits	Other Benefits	Total
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Amounts recognized in profit and loss in respect of defined benefit plans:						
For the year ended 31 December 2025:						
Cost of service	1.3	1.7	-	0.1	0.5	3.6
Cost of interest	1.5	1.8	0.7	0.4	0.3	4.7
Return on the plan assets according to the cap rate	(0.6)	-	(0.7)	-	(0.1)	(1.5)
Exchange rate differences	2.1	4.3	-	0.7	0.4	7.6
Other changes in the period	-	-	-	-	1.4	1.4
Total	4.3	7.8	-	1.2	2.5	15.8

For the year ended 31 December 2024:

Cost of service	2.1	1.2	-	0.2	0.4	3.8
Cost of interest	1.5	1.3	0.6	0.5	0.3	4.2
Return on the plan assets according to the cap rate	(0.7)	-	(0.6)	-	(0.1)	(1.4)
Exchange rate differences	(0.2)	(0.2)	-	(0.1)	-	(0.4)
Settlement revenues	-	-	(1.1)	-	-	(1.1)
Other changes in the period	-	-	-	-	(1.5)	(1.5)
Total	2.7	2.3	(1.1)	0.6	(0.9)	3.6

For the year ended 31 December 2023:

Cost of service	2.7	1.1	0.1	0.1	1.5	5.5
Cost of interest	1.6	1.2	2.6	0.5	0.1	6.0
Return on the plan assets according to the cap rate	(0.7)	-	(2.4)	-	(0.1)	(3.2)
Exchange rate differences	(0.7)	(0.7)	-	(0.3)	(0.1)	(1.7)
Other changes in the period	-	-	3.4	-	0.7	4.2
Total	2.9	1.6	3.7	0.3	2.1	10.8



Note 15 – Employee Benefit Liabilities (Cont.)

I. List of the quantitative effects of defined benefit plans on the Financial Statements (Cont.)

	For the Year Ended 31 December 2025					
	Retirement and Severance Pay in Israel	Sick Leave Encashment	Pension Funds	Retiree Benefits	Other Benefits	Total
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Movement in current obligation value:						
Opening balance – current obligation value	26.7	29.9	12.8	5.9	6.1	81.4
Cost of service	1.3	1.7	-	0.1	0.5	3.6
Cost of interest	1.5	1.8	0.7	0.4	0.3	4.7
Actuarial losses (profits)	2.0	(1.8)	-	0.3	0.1	0.6
Benefits paid	(5.0)	(1.9)	(1.3)	(0.7)	(0.4)	(9.3)
Exchange rate changes	3.5	4.3	0.9	0.7	0.6	10.0
Other changes in the period	-	-	-	-	1.4	1.4
Closing balance – current obligation value	30.0	34.0	13.1	6.7	8.6	92.4
Change in fair value of the plan assets:						
Opening balance – fair value of the plan assets	10.8	-	12.8	-	1.8	25.4
Return on the plan assets according to the cap rate	0.6	-	0.7	-	0.1	1.4
Remeasurements due to the difference between the actual return on the plan assets and the return calculated according to the cap rate	0.9	-	(1.7)	-	0.1	(0.7)
Contributions by the employer	0.4	-	1.6	-	-	2.0
Benefits paid	(1.1)	-	(1.3)	-	(0.1)	(2.5)
Exchange rate changes	1.5	-	1.0	-	0.3	2.8
Closing balance – fair value of the plan assets	13.1	-	13.1	-	2.2	28.4
Average duration of the obligation (in years)	5.3	0.3		17.5		
Cap rate (%)	5.39-7.8	5.0	4.9	5.6-7.6		
Analysis of sensitivity to a 1% increase in the cap rate	(1.0)	(2.9)		(1.0)		



Note 15 – Employee Benefit Liabilities (Cont.)

H. List of the quantitative effects of defined benefit plans on the Financial Statements (Cont.)

For the Year Ended 31 December 2024

	Retirement and Severance Pay in Israel	Sick Leave Encashment	Pension Funds	Retiree Benefits	Other Benefits	Total
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Movement in current obligation value:						
Opening balance – current obligation value	28.7	23.6	39.4	9.1	7.9	108.7
Cost of service	2.1	1.2	-	0.2	0.4	3.9
Cost of interest	1.5	1.3	0.6	0.5	0.3	4.2
Actuarial losses (profits)	(1.8)	5.5	0.2	(3.3)	(0.3)	0.3
Benefits paid	(3.6)	(1.5)	(1.6)	(0.5)	(0.7)	(7.9)
Exchange rate changes	(0.2)	(0.2)	(0.2)	(0.1)	-	(0.7)
Settlement expenses	-	-	(25.6)	-	-	(25.6)
Other changes in the period	-	-	-	-	(1.5)	(1.5)
Closing balance – current obligation value	26.7	29.9	12.8	5.9	6.1	81.4
Change in fair value of the plan assets:						
Opening balance – fair value of the plan assets	9.4	-	33.0	-	1.7	44.1
Return on the plan assets according to the cap rate	0.7	-	0.6	-	0.1	1.4
Remeasurements due to the difference between the actual return on the plan assets and the return calculated according to the cap rate	0.7	-	(0.8)	-	0.1	-
Contributions by the employer	0.5	-	1.4	-	-	1.9
Benefits paid	(0.5)	-	(1.6)	-	(0.1)	(2.2)
Exchange rate changes	-	-	(0.2)	-	-	(0.2)
Settlement expenses	-	-	(19.6)	-	-	(19.6)
Closing balance – fair value of the plan assets	10.8	-	12.8	-	1.8	25.4
Average duration of the obligation (in years)	5.3	10.1		18.0		
Cap rate (%)	5.39-7.8	5.7	5.1	5.6-7.6		
Analysis of sensitivity to a 1% increase in the cap rate	(1.0)	(2.9)		(1.0)		



Note 15 – Employee Benefit Liabilities (Cont.)

H. List of the quantitative effects of defined benefit plans on the Financial Statements (Cont.)

Actuarial assumptions:

A principal actuarial assumption (besides the interest rate as specified above under the quantitative data) that were applied by the Group for the purpose of estimating the obligations and their quantitative effects as specified above is the increase rate in some of the salary components that are relevant for the purposes of calculating the various liabilities that are estimated in the range between 4% and 9.5% for existing employees as of the date of the Statement of Financial Position. In the short term, such increase rate is based on the existing collective bargaining agreements, including assumptions on the promotion of employees and the impact of the seniority on the salary. In the mid- and long-term, such increase rate is based, inter alia, on the Company's assumptions. If the projected increase rate was 1% higher than the rate applied in the calculation of the obligation, the liability for post-employment benefits (other than pension) would have increased by approx. USD 6.6 million. The above sensitivity analysis was made based on reasonably possible changes in the actuarial assumptions as of the end of the reporting period. The sensitivity analysis does not account for any interdependence between the assumptions.

J. Other long-term employee benefits:

(1) Paid Leave:

Under the Annual Leave Law, 5711-1951 and in accordance with the Group's employment agreements, the Group's employees are entitled to paid days of leave for every year of employment. An employee that ceases to work before using the outstanding balance of accrued days of leave is entitled to payment for such outstanding days of leave upon retirement. Furthermore, certain employees of the Group are entitled to days of rest which are cashed in upon retirement, to the extent that any accrued balance remains. The Group's leave obligation also includes its obligation for such days.

(2) Other long-term benefits:

These benefits mainly consist of a grant for academic studies of employees' children.



Note 15 – Employee Benefit Liabilities (Cont.)
I. Other long-term employee benefits (Cont.)

(3) List of the quantitative effects of other long-term employee benefits on the financial statements:

	Leave and Rest	Other Long-Term Benefits
	USD in millions	USD in millions
For the year ended 31 December 2025		
Opening balance	58.8	5.0
Amounts recognized in profit and loss in respect of defined benefit plans:		
Cost of service*	35.9	0.6
Cost of interest	3.5	0.6
Exchange rate differences	8.3	0.8
Actuarial losses (profits)**	13.0	0.7
Total	60.7	2.7
Benefits paid		
Use	(31.9)	(0.3)
Encashment	(10.3)	-
Total	(42.3)	(0.3)
Closing balance	77.2	7.4
Average duration of obligation (in years)	9.1	7.0
For the year ended 31 December 2024		
Opening balance	46.0	5.0
Amounts recognized in profit and loss in respect of defined benefit plans:		
Cost of service*	29.8	0.5
Cost of interest	2.5	0.3
Exchange rate differences	(0.1)	-
Actuarial losses (profits)**	10.2	(0.1)
Total	42.4	0.7
Benefits paid		
Use	(24.2)	(0.5)
Encashment	(5.2)	-
Total	(29.5)	(0.5)
Closing balance	58.9	5.2
Average duration of the obligation (in years)	9.2	6.2
For the year ended 31 December 2023		
Opening balance	41.3	2.9
Amounts recognized in profit and loss in respect of defined benefit plans:		
Cost of service*	28.8	1.5
Cost of interest	2.0	0.1
Exchange rate differences	(1.1)	(0.1)
Actuarial losses (profits)	0.1	0.5
Total	29.8	2.0
Benefits paid		
Use	(22.4)	-
Encashment	(2.8)	-
Total	(25.1)	-
Closing balance	46.0	4.9
Average duration of obligation (in years)	8.9	7.3

* Most of the obligation is paid in current employee salary, i.e., as use of leave days.

** The actuarial losses primarily derive from changes in the actuarial assumptions.



Note 16 – Provisions and Contingent Liabilities

According to IAS 37, provisions are recognized in the financial statements for claims and legal proceedings in respect of which a negative cash flow is expected (with a likelihood of over 50%) which, in the opinion of the Company's management, based *inter alia* on an opinion of its legal counsel, are adequate in the circumstances. These provisions are recognized for claims and legal proceedings as aforesaid against the Company which, in the Company's management's opinion, will likely not be dismissed or canceled, even though such claims are denied thereby.

For significant accounting judgments and key estimates used to determine the value of the liability in the financial statements, see Note 2.C(2).

As of 31 December 2025, there are pending lawsuits against the Company totaling approx. USD 1,122 million (excluding the amount of the claim filed against the Company in January 2026, after the date of the Statement of Financial Position, see Note 16.B(8) below) and additional lawsuits which at this stage are not quantified in monetary amounts. With respect to these pending lawsuits, the Company recognized a provision in the Financial Statements in the sum total of approx. USD 64.4 million. In the opinion of the Company's management, which is based *inter alia* on an opinion of its legal counsel, the Company does not anticipate any exposure to additional loss in respect of the said claims over and above the amounts of the provisions included in the Financial Statements.

A. Movement in the provisions:

	Total Provisions USD in millions
Balance as of 1 January 2024	8.1
Additional recognized provisions (including an update to existing provisions)	5.3
Balance as of 31 December 2024	13.4
Additional recognized provisions (including an update to existing provisions)	51.0
Balance as of 31 December 2025	64.4



Note 16 – Provisions and Contingent Liabilities (Cont.)

B. Details of Key Legal Proceedings:

Specified below are the main class actions that have been filed against the Company:

No.	Date of the Claim	Type of Claim / Court	Subject Matter of the Claim	Amount of the Claim	Status	Accounting Impact
1	February 2013	Class action / Central District Court	Underlying the claim is an alleged extensive global restrictive trade practice for the coordination of various components of air cargo transport prices, and specifically the fuel and security surcharges. The claim is also being conducted against the airlines British Airways, Lufthansa and Swiss.	ILS 473 million	In January 2020, the court certified the claim as a class action. According to the decision, the class members are directly-injured parties who are all of the customers who transported cargo to or from Israel (except to/from the U.S.) from 1 January 2000 until the date of termination of the arrangement which is, at the earliest, 14 February 2006, and indirectly-injured parties who are all of the customers of the directly-injured parties who purchased from the directly-injured parties services for the transport of cargo to or from Israel (except to/from the U.S.) in the said period. The remedy claimed is compensation for the damage caused to the class members, which constitutes the difference between the price actually charged in view of the alleged coordination, including the fuel and security surcharges, and the price that would have been charged at competitive market conditions, but for the alleged coordination. In March 2024 the plaintiff and the other airlines being sued in the proceeding (British Airways, Lufthansa and Swiss) filed a motion for approval of a settlement arrangement, which was approved by the court. A mediation proceeding was held between the Company and the plaintiff, upon the conclusion of which a settlement arrangement was signed, which was recently filed for the court's approval.	The Company recognized a provision for the claim in its financial statements according to the management's assessment and based on an opinion of its legal counsel.



Note 16 – Provisions and Contingent Liabilities (Cont.)

B. Details of Key Legal Proceedings: (Cont.)

Specified below are the main class actions that have been filed against the Company: (Cont.)

No.	Date of the Claim	Type of Claim / Court	Subject Matter of the Claim	Amount of the Claim	Status	Accounting Impact
2	January 2015	Class action / Central District Court	The claim asserts non-reimbursement of fees and/or airport taxes collected by the Company from passengers at the time of payment for the flight tickets in no-show cases.	ILS 60 million (personal amount ILS 257)	In September 2019, the court certified the claim as a class action. According to the decision, the class members are all of the Company's customers who purchased a flight ticket from the Company in the seven years preceding the filing of the action and were no-shows for the flight or a flight leg, and to whom the Company refrained from reimbursing all of the airport taxes directly or indirectly (including reimbursement through the travel agent through which the ticket was purchased) in cases where the Company did not remit to the various airports the amounts it had collected for such purpose, or whose reimbursement it may claim from the airport authorities. The remedies sought are reimbursement of the amounts that the Company is obligated to reimburse to the class members, plus linkage differentials and interest from the date on which it was required to reimburse the same, and an order requiring the Company to take action to inform its customers of their right to reimbursement of the airport taxes. A settlement arrangement was signed between the parties, which in November 2025 was filed for the court's approval.	The Company recognized a provision for the claim in its financial statements according to the management's assessment and based on an opinion of its legal counsel.



Note 16 – Provisions and Contingent Liabilities (Cont.)

B. Details of Key Legal Proceedings: (Cont.)

Specified below are the main class actions that have been filed against the Company: (Cont.)

No.	Date of the Claim	Type of Claim / Court	Subject Matter of the Claim	Amount of the Claim	Status	Accounting Impact
3	February 2017	Class action / Central District Court	The claim asserts that in cases of flight delays or cancelations, the Company acts in breach of the Aviation Services Law, 5772-2012, and other duties.	Personal amount of ILS 44,615	In May 2022, the court partially certified the claim as a class action. According to the decision, the class members fall into two categories: Members of class A are all of the customers whose flights were canceled or delayed by at least two hours, in the 4 years preceding the filing of the certification motion until the date of certification thereof, and were consequently entitled to any benefits pursuant to the Aviation Services Law, and to whom the Company provided no document specifying their rights to benefits shortly after the time of establishment of the entitlement; and members of class B are customers of the Company whose flight was delayed by up to 8 hours, in the 4 years preceding the filing of the certification motion until the date of certification thereof, and were consequently entitled to support services pursuant to the Aviation Services Law, received notice of the delayed departure more than three hours before the original departure time and therefore did not come to the airport for such departure time, and did not receive such support services from the Company. The class action is in the preliminary proceedings stage.	The Company recognized a provision for the claim in its financial statements according to the management's assessment and based on an opinion of its legal counsel.



Note 16 – Provisions and Contingent Liabilities (Cont.)

B. Details of Key Legal Proceedings: (Cont.)

Specified below are the main class actions that have been filed against the Company: (Cont.)

No.	Date of the Claim	Type of Claim / Court	Subject Matter of the Claim	Amount of the Claim	Status	Accounting Impact
4	October 2017	Class action / Central District Court	The claim asserts various arguments regarding aircraft seats with limited recline.	ILS 33 million (personal amount of ILS 577)	In November 2023, the Court issued a decision certifying the claim as a class action. The class on whose behalf the action was certified was defined in the decision as follows: "All of the company's customers who purchased flight tickets and were allocated a non-reclining seat in the last seven years which preceded the filing of the certification motion on all aircraft models operated by the company". In September 2025, a decision was issued clarifying that the claim and the class definition are limited only to seats with restricted recline for non-safety reasons. The causes of action that were approved in the decision are the prohibition on misleading pursuant to Section 2 of the Consumer Protection Law, and breach of the duty of disclosure pursuant to Section 4 of the Consumer Protection Law. The claim is in the preliminary proceedings stage.	The Company has recorded a provision for the claim in its financial statements, in accordance with management's estimate and based on an opinion by its legal counsel.
5	January 2021	Class certification motion / Central District Court	The certification motion is based on the claim that on 30 April 2018 the Company began marketing Flex "upgraded flight tickets" which are ostensibly not honored by the airlines with which the Company has agreements, and which sometimes operate the flights in practice.	ILS 454 million (personal amount of ILS 4,625)	A motion was filed to substitute the petitioner with his spouse following the petitioner's death. The Company has filed its response to the motion.	The Company's management estimates, based on an opinion of its legal counsel, that it is more likely than not that the claim will be dismissed.



Note 16 – Provisions and Contingent Liabilities (Cont.)

B. Details of Key Legal Proceedings: (Cont.)

Specified below are the main class actions that have been filed against the Company: (Cont.)

No.	Date of the Claim	Type of Claim / Court	Subject Matter of the Claim	Amount of the Claim	Status	Accounting Impact
6	June 2025	Class certification motion / Lod Central District Court	The certification motion is based on a claim for damage ostensibly caused to the customers of the Company and the subsidiary, Sundor International Airlines Ltd., as a result of what is claimed to be prohibited monopolistic price gouging of an essential service during a period of war and emergency, from 7 October 2023, until the date the motion was filed.	USD 598 million	The Company filed its response with the court.	At this preliminary stage it is not yet possible to assess the chances of the claim being granted.
7	July 2025	Class certification motion / Lod Central District Court	The claim was filed against the Company and 8 other airlines. The certification motion is based on the claim that the respondent airlines violated the Aviation Services Law (Compensation and Assistance for Flight Cancellation or Change of Conditions), 5772-2012, by failing to provide assistance services, as defined in the law, to eligible passengers from 13 June 2025 through 7 July 2025.	Approx. ILS 825 million against all 9 respondent airlines. No specific claim amount against the Company was stated.	In view of two additional motions for class certification that were filed on similar matters, the Company has filed a motion pursuant to Section 7 of the Class Actions Law, 5766-2006, to dismiss two of the three motions.	At this preliminary stage it is not yet possible to assess the chances of the claim being granted.



Note 16 – Provisions and Contingent Liabilities (Cont.)

B. Details of Key Legal Proceedings: (Cont.)

Specified below are the main class actions that have been filed against the Company: (Cont.)

No.	Date of the Claim	Type of Claim / Court	Subject Matter of the Claim	Amount of the Claim	Status	Accounting Impact
8	January 2026, after the date of the Statement of Financial Position	Class certification motion / Tel Aviv Regional Court	The claim was filed against the Company and the Transportation Workers' Union of the New General Federation of Labor (<i>Histadrut</i>), with the Tel Aviv Regional Court. The motion concerns alleged salary rights, social benefits, and retirement rights of permanent employees across various sectors of the Company who were dismissed or retired from their employment. According to the motion, the Company implemented a uniform salary mechanism which allegedly incorporated collective salary components, including seniority and sectoral additions, into a component described in the motion as a technical 'supplementation to minimum wage' or equivalent components. Further thereto, it was claimed that this alleged conduct created a gap between the total salary actually paid and the effective salary used as the basis for calculating social benefits and retirement rights, with the Company thereby ostensibly denying employees inalienable and collective rights.	ILS 648.8 million	The Company will study the motion and file its response with the court as required.	At this preliminary stage it is not yet possible to assess the chances of the claim being granted.

Over and above the claims specified in the above table, 18 additional class certification motions have been filed against the Company as of 31 December 2025 in non-material amounts. The Company has not recognized provisions in a material amount in the Financial Statements in respect of these motions.



Note 16 – Provisions and Contingent Liabilities (Cont.)

B. Details of Key Legal Proceedings: (Cont.)

Legal proceedings that have come to an end and other proceedings:

- (1) In March 2025, the Company received a class certification motion that was filed against the Company and the FF Company with the Tel Aviv-Jaffa District Court. The certification motion argued that the respondent companies operate a fixed-term reward program, and that they are allegedly violating the Consumer Protection Law, 5741-1981, by failing to send program members a notice as prescribed by Section 16A(d) of the law prior to the end of the fixed term. The amount of the alleged damage suffered by the class sought to be represented was estimated in the motion at over ILS 2.5 million. Following a hearing in which the court presented the petitioner with factual and legal difficulties regarding his claims, the petitioner announced his request to withdraw the certification motion. Subsequently, in November 2025, a judgment was issued approving the petitioner's withdrawal of the certification motion and ordering dismissal of the motion.
- (2) In October 2024, the Company received a class certification motion that was filed against the Company with the Jerusalem District Court. The certification motion was based on claims in connection with the credit vouchers issued by the Company and in connection with the "EL AL Protect" service. On 12 May 2025, a hearing was held, at the conclusion of which a judgment was issued ordering dismissal of the certification motion.
- (3) In April 2024, the Company received a class certification motion that was filed against the Company and the FF Company with the Tel Aviv-Jaffa District Court. The certification motion claims that the Company ostensibly deletes the balance of 'diamonds' accrued by an FFP member when it reviews their status eligibility, allegedly unlawfully and with no basis in the FFP regulations. The alleged damage to the class members was estimated by the petitioner at ILS 800 million. On 11 September 2025, a judgment was issued denying the certification motion in full, and charging the petitioner with the costs of the Company and the FF Company.
- (4) In December 2023, the Company received a class certification motion that was filed against the Company with the Central District Court in the sum of ILS 96.6 million. The certification motion claims that notice sent by the Company in December 2022 to FFP members regarding a change in the FFP program commencing from 1 September 2023 with respect to restriction of the validity of points accrued in an account or for the accrual of which future entitlement is established due to a flight purchased before the date of the change, ostensibly includes a misrepresentation whereby the change benefits the FFP members, while in practice, the change ostensibly adversely affects them. On 24 November 2025, a judgment was issued ordering the dismissal of the certification motion in view of difficulties raised by the certification motion on both factual and legal levels, and given the ruling that a class action is not the appropriate method for resolving the dispute in the circumstances.
- (5) In September 2024, the Company received a class certification motion that was filed against the Company and the FF Company with the Tel Aviv-Jaffa District Court, in the sum of ILS 120 million. The certification motion concerned three matters: First, the petitioners' claim that the Company sometimes fails to credit altogether, and sometimes tardily credits, 'diamonds' and points to FFP members, where the FFP members are allegedly entitled to accrue 'diamonds' and points. Second, the petitioners claim that the Company charges FFP members for selecting SPACE seats and/or upgraded seats, even when the FFP members are allegedly entitled to receive a SPACE seat free of charge. Third, the petitioners claim that the Company offers a specific preferred seat for sale even after it has already been previously sold. On 24 December 2025, a judgment was issued approving the petitioners' withdrawal of the certification motion, with no order for costs, and ruling that the certification motion presents significant difficulties, including regarding the assessment of the alleged damage as well as the number of members of the alleged class.



Note 16 – Provisions and Contingent Liabilities (Cont.)

B. Details of Key Legal Proceedings: (Cont.)

Legal proceedings that have come to an end and other proceedings: (Cont.)

- (6) In February 2018, the Company received a class certification motion that was filed against the Company with the Lod Central District Court in the sum of ILS 321 million. The certification motion claims that the Company abused its position as a declared monopoly on the Tel Aviv–Mumbai route by charging time-sensitive passengers a high unfair price. On 7 January 2026, after the date of the Statement of Financial Position, a reasoned judgment was received denying the motion. The judgment ruled, *inter alia*, that the cause of action for excessive pricing was not established, after the court found the prices to be fair, taking into account the standard pricing model in the aviation industry, and that intervening in such prices could have effects that would not benefit passengers in the short and/or long term. Additionally, the court ruled that there was no reasonable chance of acceptance of the claim of breach of the prohibition on abuse of dominant position based on price discrimination.
- (7) On 8 February 2026, after the date of the Statement of Financial Position, the Company received notice from the Competition Commissioner (the “**Notice**” and the “**Commissioner**”, respectively), whereby she is considering exercising the authority vested in her under Section 50D(a)(3) of the Economic Competition Law, 5748-1988 (the “**Law**”) and imposing on the Company an administrative fine in the sum of approx. ILS 121.8 million due to an ostensible violation of Section 29A(b)(1) of the Law regarding “Setting an unfair high price”, which, according to the Commissioner, was expressed in an average increase of ~16% in the prices of Economy and Premium class flight tickets in the period from 7 October 2023 until the end of May 2024, in which period, according to the Commissioner, the Company held a monopoly in operating flights to and from Israel, as well as on specific routes, compared to a pre-war benchmark period. The Company disputes the Notice. The Company’s position is that it acted lawfully. In addition, on 23 February 2026, another notice was received by the Company from the Competition Commissioner (the “**Additional Notice**”), according to which she is considering exercising the authority vested in her by virtue of Section 43(a)(5) of the Law and imposing on the Company an administrative fine in the sum of approx. ILS 110 million, as well as imposing an administrative fine in the sum total of approx. ILS 1 million on two officers who held office at the Company on the relevant date, due to an ostensible violation of Sections 29, 29A(a), 29A(b)(2) and 29A(b)(3) of the Law which concern ostensible abuse of its alleged status as holding a monopoly in the passenger aircraft maintenance hangars market in Israel. Furthermore, and in accordance with the Additional Notice, the Commissioner is considering declaring the Company a monopoly in the passenger aircraft maintenance hangars market in Israel, pursuant to Section 26(a)(1) of the Law. The Company disputes the Additional Notice, including the claim that it holds monopolistic status in the market defined by the Commissioner. The Company believes it has acted lawfully and will present its position in legal proceedings in the format prescribed by law. In addition, the said officers also dispute the Additional Notice as it pertains to them. Nevertheless, the Company has recognized a provision in its financial statements in respect of the aforesaid, based on management’s assessment and the opinion of its legal counsel.



Note 17 – Taxes on Income

Deferred taxes are recognized in respect of temporary differences between the value for tax purposes of assets and liabilities and their value in the financial statements. The deferred tax balances (asset or liability) are calculated according to the expected tax rate at the time of realization thereof, according to the tax laws whose legislation was actually completed as of the report date. In addition, the calculation of the deferred taxes does not take into account the taxes that would apply in the case of disposition of the investments in investees, since these temporary differences are under the Group's control and are not expected to reverse in the foreseeable future.

A. Asset (liability) balances in respect of deferred taxes:

	Balance as of 1 January 2025	Recognized in profit and loss	Recognized in other comprehensive income	Balance as of 31 December 2025
	USD in millions	USD in millions	USD in millions	USD in millions
Timing differences:				
Fixed assets	(308.3)	1.8	-	(306.5)
Derivative financial instruments	(2.0)	0.4	3.6	1.9
Phantom options	(4.7)	(7.3)	-	(12.0)
Intangible assets and liability for FFP points	90.0	(3.8)	-	86.2
Employee benefit liabilities	27.1	6.6	0.2	33.9
Costs for issuance of shares	0.4	(0.2)	-	0.2
	(197.6)	(2.5)	3.8	(196.3)
Losses for tax purposes	173.2	(125.7)	-	47.5
Total	(24.4)	(128.2)	3.8	(148.8)



Note 17 – Taxes on Income (Cont.)

A. Asset (liability) balances in respect of deferred taxes: (Cont.)

	Balance as of 1 January 2024	Recognized in profit and loss	Recognized in other comprehensive income	Recognized in capital	Balance as of 31 December 2024
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Timing differences:					
Fixed assets	(302.5)	(5.8)	-	-	(308.3)
Derivative financial instruments	(5.0)	0.1	2.8	-	(2.0)
Provisions and doubtful debts	3.1	(3.1)	-	-	-
Phantom options	(2.9)	(1.9)	-	-	(4.7)
Intangible assets in respect of the FFP	96.2	(6.1)	-	-	90.0
Employee benefit liabilities	25.2	1.0	0.9	-	27.1
Costs for issuance of shares	-	(0.1)	-	0.5	0.4
	(185.9)	(15.9)	3.7	0.5	(197.6)
Losses for tax purposes	289.5	(116.3)	-	-	173.2
Total	103.6	(132.2)	3.7	0.5	(24.4)

B. Income tax expenses recognized in profit and loss:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Current tax expenses (1)	8.4	0.5	0.4
Deferred taxes	128.2	132.2	7.9
Tax expenses	136.6	132.6	8.4

(1) The current tax expenses mainly derive from EL AL Frequent Flyer Ltd.



Note 17 – Taxes on Income (Cont.)

C. Effective tax:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Profit before taxes on income	546.9	677.6	125.1
Statutory tax rate	23%	23%	23%
Tax expenses according to statutory tax rate	125.8	155.8	28.8
Additional tax for:			
Non-deductible expenses	15.4	6.2	4.2
Recognition of deferred tax assets not recognized in previous years	(4.6)	(29.4)	(24.5)
Total tax expenses in Statement of Profit and Loss	136.6	132.6	8.4

D. The tax laws that apply to the Group:

- (1) According to the Income Tax Regulations (Rules on Bookkeeping of Foreign-Invested Companies and of Certain Partnerships and Determination of their Taxable Income), 5746-1986, the results for tax purposes of the Company and some of its subsidiaries are measured on a dollar basis. Some of the consolidated companies are assessed jointly with the Company.
- (2) The Company is an industrial company, as defined in the Encouragement of Industry (Taxes) Law, 5729-1969, and according to the Income Tax Regulations – Depreciation, 1941, the Company is entitled to depreciation in respect of these property items at an annual rate of 30% and in respect of engines to depreciation at an annual rate of 40%.

E. Final assessments:

The Company has tax assessments that are deemed as final up to and including the tax year 2020.



Note 18 – Capital and Retained Earnings and Share-Based Payments

A. The Company's share capital

	Authorized		Issued and Paid-Up	
	Special Share	Ordinary Shares	Special Share	Ordinary Shares
	ILS 1 par value	ILS 1 par value	ILS 1 par value	ILS 1 par value
	ILS	ILS	ILS	ILS
Balance as of 31 December 2025	1	1,875,000,000	1	554,248,729
Balance as of 31 December 2024	1	1,875,000,000	1	447,246,287

B. Capital raising in 2024 and the issuance of Series 3 warrants

On 31 March 2024, the Company released a shelf offering report according to the shelf prospectus that was published on 15 August 2023. As part thereof, on 1 April 2024, the Company issued ninety-two million (92,000,000) ordinary shares of the Company of par value ILS 1 each, together with ninety-two million (92,000,000) Series 3 warrants exercisable for shares of the Company in exchange for a cash payment of an exercise price of ILS 5.70 per Series 3 warrant, with the exercise price linked to the USD exchange rate known at the beginning of 31 March 2024 (USD 1.55 per warrant).

The total proceeds received from the issuance of shares and warrants amounted to approx. ILS 511 million (approx. USD 140 million). The proceeds, net of issuance costs, totaled approx. ILS 495.7 million (approx. USD 135.3 million), which were carried to the Company's capital during Q2/2024. The total proceeds expected for the Company (including the proceeds from the warrants exercised after the date of the Statement of Financial Position, for details see Subsection G below), assuming all Series 3 warrants are fully exercised, is approx. ILS 524 million (subject to the USD exchange rate on the exercise date) which will amount to approx. USD 143.8 million.

After the date of the Statement of Financial Position, the Company distributed a dividend in the sum of 57 Agorot per ordinary share of par value ILS 1, in accordance with the terms and conditions of the warrants the adjusted exercise price was updated and is ILS 5.5201 per warrant. For further details, see Section D below on the Company's dividend distribution policy.

C. Series 2 warrants

On 14 February 2021, the Company released a shelf offering report according to the shelf prospectus that was published on 31 August 2020. As part thereof, the Company issued 1,250,000,000 Series 2 warrants in exchange for (gross, namely pre-issuance costs) ILS 250 million, which, as of the issuance date, totaled approx. USD 77 million, exercisable for shares of the Company, for an exercise price of 30 Agorot per warrant, linked to the USD. After consolidation of capital and after the distribution of the stock dividends, performed in previous years, every 6.31 warrants are exercisable for one share of par value ILS 1.

From the date of the issuance until the warrants' expiration, approx. 975,286,929 Series 2 warrants were exercised for approx. 144,830,426 shares of par value ILS 1, in consideration for a total exercise price of approx. USD 89.8 million. In February 2025, 85,389 Series 2 warrants expired.



Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

D. Terms and conditions of the warrants and the scope of their exercise

The table below includes information regarding the Series 2 warrants and Series 3 warrants:

	Series 2 warrants	Series 3 warrants
Number of issued warrants	1,250,000,000	92,000,000
Grant date	14 February 2021	1 April 2024
Exercise price	ILS 0.3 per warrant linked to USD as of issuance date	ILS 5.7 per warrant linked to USD as of issuance date (*)
Exercise ratio	Every 6.31 warrants are equal to one share	Every 1 warrant is equal to one share
Number of exercised warrants (1)	1,249,914,611	57,289,287
Total proceeds for warrants exercised (USD in millions) (1)	115.0	88.7
Number of warrants remaining as of the date of the Statement of Financial Position	-	34,710,713
Number of issued shares	188,350,675	57,289,287.0
Number of expired warrants	85,389	-

(*) Dividend adjusted, ILS 5.5201 per warrant linked to the USD from the date of the issuance.

(1) Number of warrants exercised up to the date of the Statement of Financial Position:

Series 2 warrants			
Year	No. of Warrants	No. of Shares	Exercise Price USD in millions
2021	101,350,531	12,668,816	9.3
2022	21,080,108	2,635,014	1.9
2023	223,636,091	29,814,072	20.5
2024	629,220,199	99,712,525	58.1
2025	274,627,682	43,520,249	25.2
	1,249,914,611	188,350,675	115.0

Series 3 warrants			
Year	No. of Warrants	No. of Shares	Exercise Price USD in millions
2025	57,289,287	57,289,287	88.7
	57,289,287	57,289,287	88.7

In addition, after the date of the Statement of Financial Position, and until shortly before approval of the financial statements, ~12,732,598 Series 3 warrants were exercised for ~12,732,598 shares of par value ILS 1 in consideration for an exercise price of approx. USD 19.6 million.

In addition, shortly before approval of the financial statements, there are 21,978,115 Series 3 warrants, exercisable for shares of the Company (at a ratio of ~1 warrant to 1 share, respectively).



Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

E. Earnings per share:

In respect of the options that were issued or granted to senior officers and employees, and in respect of the convertible shareholder loan as stated in Notes 14D above and 21C(3) below (which was repaid on 31 December 2025), the Company has additional potentially diluting shares. According to the average share price in the relevant periods, the number of potential shares that would be added to the calculation of the diluted earnings per share in respect of these instruments is 575,106,823 shares, as specified below.

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Profit used for the basic earnings per share	403.3	541.4	112.6
Adjustments			
Bonds convertible into ordinary shares	-	0.1	0.2
Profit used for calculation of diluted earnings per share	403.3	541.5	112.8

	For the year ended 31 December		
	2025	2024	2023
	Shares in millions	Shares in millions	Shares in millions
Weighted average of the number of ordinary shares used for calculation of basic earnings per share	528.2	376.0	274.7
Adjustments			
Warrants	33.5	55.4	74.5
Loan convertible into shares	2.7	20.6	60.7
Bonds convertible into ordinary shares	-	1.8	2.9
Share-based payment	8.9	4.8	0.3
Restricted stock	1.8	0.2	-
Number of shares used for the diluted earnings	575.1	458.8	413.1

F. The Special State Share and the rights attached thereto:

On 18 May 2003, the Company allotted a special share to the Israeli government which cannot be sold or transferred. The special share is intended to protect the vital interests of the State, according to government resolutions.



Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

G. Dividend distributions:

The Company shall distribute dividends from time to time, at the Board's discretion, and subject to the needs of the Company.

Implementation of the aforesaid is subject to the provisions of any law and to the assessment of the Company's Board regarding the Company's ability to meet, from time to time, its existing and anticipated liabilities, and taking into account the Company's existing or anticipated liquidity, operations and business plans. The aforesaid does not derogate from the authority of the Company's Board to decide, at any time, on any modification, amendment and/or cancelation of a resolution of this type and/or to approve additional distributions within the limits permitted by law and/or to refrain from distribution, considering the Company's liquidity, operations, business and changing position from time to time.

In the context of the Group's signing of an agreement with the State, the Group undertook not to perform any dividend distribution, including any buyback of shares, until the end of 2025, and that any dividend distribution/s, including any buyback of shares, in the years 2026 to 2028 (inclusive) shall not exceed 30% of the total net income in all of the said years jointly, as of the date of the distribution.

On 10 April 2025, the Company, Sundor and the State of Israel signed an addendum to an agreement of 18 March 2021, which updated the restriction that applies to the Company and Sundor in connection with the distribution of dividends, including any buyback of shares, as follows:

1. In 2025, the total dividends shall not exceed 30% of the total net income in the said year as of the date of the distribution, including a dividend declared in 2026 for 2025.
2. In each of the years 2026-2028 (inclusive), the total dividends shall not exceed 40% of the net income for such year, as of the date of the distribution, including a dividend that is declared in the following year for the previous year.

On 5 January 2026, after the date of the Statement of Financial Position, the Company's Board decided on the distribution of a dividend in the sum of 57 Agorot per ordinary share of par value ILS 1. The record date for the dividend distribution was set for 16 January 2026. The dividend was distributed on 27 January 2026. The dividend amount totaled approx. ILS 323 million (approx. USD 102 million).

H. Share-based payments:

- (1) On 31 October 2022, the Company's Board approved a private placement of 7,100,000 non-transferable and non-negotiable options, exercisable for ordinary shares of par value ILS 1 each of the Company, for no consideration, to eleven offerees. The options were granted to ten offerees who are officers of the Company, none of whom is the Company's CEO or a director, and to one offeree who is an officer of a subsidiary with material influence over the Company, in accordance with and subject to the terms of the Group's "2022 option allotment plan", which was adopted by the Company's Board on 10 August 2022 and amended in August 2024 (the "**2022 Plan**"). The options are granted to the offerees through a trustee under Section 102 of the Income Tax Ordinance on the capital gains track.

In addition, on 15 December 2022, approval was granted for an allotment of 1,450,000 and 1,150,000 non-marketable and non-transferable options exercisable for 1,450,000 and 1,150,000 ordinary shares of par value ILS 1 each of the Company, for no consideration, to the Company's outgoing CEO (who stepped down on 31 December 2025) and to the Chairman of the Company's Board, respectively, in accordance with and subject to the 2022 Plan and the other terms and conditions as specified in the notice of meeting report.



Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

H. Share-based payments: (Cont.)

(1) (Cont.)

The options will vest over a 3-year period, with 1/3 of the total options granted vesting and becoming exercisable upon completion by each offeree of 12 full months of consecutive service, commencing from 1 July 2022 (with the exception of one offeree whose term of office began on 17 July 2022).

The options will be exercisable from the vesting date until the end of 7 years after the grant date. Options not exercised by the end of the said exercise period will expire and will not confer on the relevant offeree any right whatsoever.

- (2) On 27 December 2023, the Company's Board approved a private placement of 1,400,000 non-transferable and non-negotiable options, exercisable for ordinary shares of par value ILS 1 each of the Company, for no consideration, to two additional offerees who are officers of the Company, neither of whom is the Company's CEO or a director, in accordance with and subject to the 2022 Plan. The options are granted to the offerees through a trustee under Section 102 of the Income Tax Ordinance on the capital gains track.

The options will vest over a 3-year period, with 1/3 of the total options granted vesting and becoming exercisable upon completion by each offeree of 12 full months of consecutive service, commencing from 1 July 2023.

The options will be exercisable from the vesting date until the end of 7 years after the grant date. Options not exercised by the end of the said exercise period will expire and will not confer on the relevant offeree any right whatsoever.

- (3) On 15 April 2024, the Company's Board approved a private placement of 1,700,000 non-transferable and non-negotiable options, exercisable for ordinary shares of par value ILS 1 each of the Company, for no consideration, to seven offerees who are officers of the Company, none of whom is the Company's CEO or a director, in accordance with and subject to the 2022 Plan. The options are granted to the offerees through a trustee under Section 102 of the Income Tax Ordinance on the capital gains track.

The options will vest over a 3-year period, with 1/3 of the total options granted vesting and becoming exercisable upon completion by each offeree of 12 full months of consecutive service, starting from 1 January 2024.

The options will be exercisable from the vesting date until the end of 7 years from the grant date. Options not exercised by the end of the said exercise period will expire and will not confer on the relevant offeree any right whatsoever.

In addition, at the same time, the Company's Board approved an Employee Stock Option Plan for the allotment of up to 10,000,000 non-transferable and non-negotiable options, exercisable for up to 10,000,000 ordinary shares of par value ILS 1 each of the Company, for no consideration (the "ESOP"), 5,150,000 options of which were granted to 46 employees of the Company and its subsidiaries who are not officers of the Company, in accordance with and subject to the 2022 Plan. The options are granted to the offerees through a trustee under Section 102 of the Income Tax Ordinance on the capital gains track.

The options will vest over a 3-year period, with 1/3 of the total options granted vesting and becoming exercisable upon completion by each offeree of 12 full months of consecutive service, starting from 1 April 2024.

The options will be exercisable from the vesting date until the end of 7 years from the grant date. Options not exercised by the end of the said exercise period will expire and will not confer on the relevant offeree any right whatsoever.



Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

H. Share-based payments: (Cont.)

- (4) On 19 November 2024, the Company's Board approved a private placement of 4,395,506 non-transferable and non-negotiable options, exercisable for ordinary shares of par value ILS 1 each of the Company, for no consideration, as well as an allotment of 1,997,337 restricted stock of the Company to eleven offerees who are officers of the Company, none of whom is the Company's CEO or a director, in accordance with and subject to the 2022 Plan. The options are granted to the offerees through a trustee under Section 102 of the Income Tax Ordinance on the capital gains track.

With respect to nine offerees, the options and restricted stock will vest over a period of 3.5 years, with 1/3 of the total options granted vesting and becoming exercisable from 30 June 2026 (an additional 1/3 of the options will vest from 30 June 2027, and another 1/3 from 30 June 2028).

The options and restricted stock will be exercisable from the vesting date and until the end of 4 years from the grant date. Options not exercised by the end of the said exercise period will expire and will not confer on the relevant offeree any right whatsoever.

With respect to two offerees, the options and restricted stock will vest over a period of 4.5 years, with 1/3 of the total options granted vesting and becoming exercisable from 30 June 2027 (an additional 1/3 of the options will vest from 30 June 2028, and another 1/3 from 30 June 2029).

The options and restricted stock will be exercisable from the vesting date and until the end of 5 years from the grant date. Options not exercised by the end of the said exercise period will expire and will not confer on the relevant offeree any right whatsoever.

In addition, on the same date, the Company's Board approved a private placement of 350,000 non-marketable and non-transferable options exercisable for ordinary shares of par value ILS 1 each of the Company, for no consideration, to 3 additional offerees who are not officers of the Company, in accordance with and subject to the 2022 Plan and in accordance with the ESOP. The options are granted to the offerees through a trustee under Section 102 of the Income Tax Ordinance on the capital gains track.

The options will vest over a 3-year period, with 1/3 of the total options granted vesting and becoming exercisable upon completion by each offeree of 12 full months of consecutive service, starting from 19 November 2024.

The options will be exercisable from the vesting date until the end of 7 years from the grant date. Options not exercised by the end of the said exercise period will expire and will not confer on the relevant offeree any right whatsoever.

- (5) On 3 December 2025 (the "**Grant Date**") and on 31 December 2025, the Company's Board and the general meeting, respectively, approved a private placement of 925,250 non-transferable and non-negotiable options, exercisable for ordinary shares of par value ILS 1 each of the Company, for no consideration, as well as an allotment of 128,743 restricted stock of the Company to the Chairman of the Company's Board, in accordance with and subject to the 2022 Plan. The options are granted to the offeree through a trustee under Section 102 of the Income Tax Ordinance on the capital gains track.

The options will vest over a 3-year period, with 1/3 of the total options granted vesting and becoming exercisable upon completion by each offeree of 12 full months of consecutive service, starting from 3 December 2025. The options will be exercisable from the vesting date until the end of 4 years from the Grant Date. Options not exercised by the end of the said exercise period will expire and will not confer on the offeree any right whatsoever.



Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

H. Share-based payments: (Cont.)

- (6) On 5 January 2026, after the date of the Statement of Financial Position, the Company's Board approved a private placement of 699,969 non-transferable and non-negotiable options, exercisable for ordinary shares of par value ILS 1 each of the Company, for no consideration, as well as an allotment of 272,562 restricted stock of the Company to two offerees, neither of whom are the Company's CEO or a director, one of whom is an officer of the Company and the other is an officer of a subsidiary with material influence over the Company. In addition, on the same date, the Company's Board approved a private placement of 280,000 non-transferable and non-negotiable options, exercisable for ordinary shares of par value ILS 1 each of the Company, for no consideration, to nine offerees who are not officers of the Company, in accordance with and subject to the 2022 Plan and in accordance with the ESOP. The options are granted to the offerees through a trustee under Section 102 of the Income Tax Ordinance on the capital gains track.

The options will vest over a 3-year period, with 1/3 of the total options granted vesting and becoming exercisable upon completion by each offeree of 12 full months of consecutive service, starting from 5 January 2026.

The options will be exercisable from the vesting date until the end of 3.5 years from the grant date. Options not exercised by the end of the said exercise period will expire and will not confer on the relevant offeree any right whatsoever.

- (7) For details regarding options and restricted stock offered (subject to the General Meeting's approval) to the Company's incoming CEO, Mr. Levy Halevy, see Note 21.C below.

Grant Date	31/10/22 15/12/22	27/12/2023	15/04/2024	15/04/2024	19/11/2024	19/11/2024
Number of offerees	13	2	7	46 (ESOP)	11	3 (ESOP)
Number of options	8,900,000 (A)	1,400,000	1,700,000	5,016,666(A)	3,985,840(A)	350,000
Number of restricted shares	-	-	-	-	1,997,337(B)	-
Share price (in ILS) (C)	4.10	3.32	4.59	4.59	8.26	8.26
Exercise price (in ILS)	3.89 (D)	3.25 (D)	4.80 (D)	4.80 (D)	7.55 (E)	7.55 (E)
Risk-free interest	3.22%	4.05%	4.16%	4.0%	4.63%-4.67%	4.63%-4.67%
Fair value per option (in ILS)	2.06	1.74	2.23	2.03	3.66-4.23	3.66-4.23
Fair value per restricted share (in ILS)	-	-	-	-	8.26	-
Expected volatility	43.05%	44.23%	41.08%	49.55%	45.7%-49.3%	45.7%-49.3%
Forecasted lifespan (in years)	7	7	7	4.4	4 - 5	4 - 5
Fair value as of the grant date (ILS in millions) (F)	18.3	2.4	3.8	10.5	33.0	1.4
Fair value as of the grant date (USD in millions, according to the exchange rate on the grant date)	5.3	0.7	1.0	2.8	8.8	0.4

- (a) Net of the number of options of offerees whose term of office at the Company ended prior to the vesting of the options granted to them.
- (b) Out of which, 363,152 shares became treasury shares due to conclusion of the offerees' term of office at the Company prior to the vesting of the restricted stock granted to them.
- (c) Set according to the closing price of the Company's stock on TASE on the trading day preceding the date of the Board's resolution.



Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

H. Share-based payments: (Cont.)

- (d) The exercise price was set based on the average share price on TASE on the last 30 days preceding the date of the Board's resolution regarding the grant. The exercise price is not subject to any linkage. The exercise price, as specified in the table above, is prior to an adjustment for a dividend distribution in the sum of ILS 0.57 per share on 27 January 2026, after the date of the Statement of Financial Position, in accordance with and subject to the 2022 Plan.
- (e) The exercise price was set based on the average share price on TASE on the last 30 trading days preceding the date of the Board's resolution regarding the grant. The exercise price is not subject to any linkage. The exercise price, as specified in the table above, is prior to an adjustment for a dividend distribution in the sum of ILS 0.57 per share on 27 January 2026, after the date of the Statement of Financial Position, in accordance with and subject to the 2022 Plan.
- (f) For the purpose of determining the fair value of the options and the restricted stock as of the grant date, the Company retained an outside expert, applying the Black-Scholes (B&S) model.

Grant Date	03/12/25	05/01/2026	05/01/2026
Number of offerees	1	2	9 (ESOP)
Number of options	925,250	699,969	280,000
Number of restricted shares	128,743	272,562	-
Share price (in ILS)	16.36 (A)	16.51 (B)	16.51 (B)
Exercise price (in ILS) (C)	14.23	15.23-16.51	15.23
Risk-free interest	3.79%	3.79%	3.79%
Fair value per option (in ILS)	7.57	6.21-6.67	5.79-6.49
Fair value per restricted share (in ILS)	16.36	16.51	-
Expected volatility	48.1%	45.7%	46.1%-49.6%
Forecasted lifespan (in years)	4	3.5	2.25-3.25
Fair value (ILS in millions)	9.1 (D)	9.0 (E)	1.7 (E)
Fair value (USD in millions)	2.9	2.8	0.5

- (a) Set according to the closing price of the Company's stock on TASE on the date of the general meeting's approval, i.e.: on 31 December 2025.
- (b) Set according to the closing price of the Company's stock on TASE on the trading day preceding the date of the Board's resolution.
- (c) The exercise price was set based on the average share price on TASE on the last 30 trading days preceding the date of the Board's resolution regarding the grant (except upon an allotment to an officer of the Company, which is subject to the Company's compensation policy, according to which the exercise price is set as the higher of the average share price on TASE on the last 30 trading days preceding the date of the Board's resolution regarding the grant or the closing price of the Company's stock on TASE on the trading day preceding the date of the Board's resolution). The exercise price is not subject to any linkage. The exercise price, as specified in the table above, is prior to an adjustment for a dividend distribution in the sum of ILS 0.57 per share on 27 January 2026, after the date of the Statement of Financial Position, in accordance with and subject to the 2022 Plan.
- (d) To determine the fair value of the options and the restricted stock as of the general meeting's approval, the Company retained an outside expert, applying the Black-Scholes (B&S) model.
- (e) To determine the fair value of the options and the restricted stock as of the grant date, the Company retained an outside expert, applying the Black-Scholes (B&S) model.

For details regarding the payroll expenses recorded in respect of all of the foregoing grants, see Note 20.C below.



Note 19 – Derivative Financial Instruments and Hedge Accounting

A. Management and sources of the financial risk:

The Group utilizes a variety of derivative financial instruments to manage exposures to fluctuations in jet fuel ("Jet Fuel") prices, which directly impact the Group's operating expenses, the interest rate exposures arising from loans provided to the Company at variable interest, and foreign exchange exposures, which derive primarily from the Group's payroll expenses, which are mostly in Israeli Shekels, and certain debt components denominated in Japanese Yen (JPY) (the exposure to the JPY is a balance-sheet exposure and not a cash-flow exposure in the short term). The Group also has some smaller exposures to other currencies, primarily due to an excess of incoming over outgoing payments in these currencies.

The Company's Board is responsible for approving the Group's market risk management policy and overseeing its implementation through a risk management committee. The Board is responsible for defining and updating the policy. The committee monitors the implementation of the policy and has the authority to provide guidance/approval to the Group's management to deviate from the policy based on various developments (this committee receives monthly reports from the CFO). The Company's management is responsible for making decisions regarding the actual execution of hedge transactions in accordance with the policy and committee guidance.

The Company's Corporate Treasury Division provides services to the business activities, enables access to local and international financial markets, and monitors and manages financial risks associated with the Group's activities through internal reports that analyze the extent of exposure to risks based on their level and intensity.

As of 31 December 2025, the Group's derivative instruments are designated as hedging instruments for cash flow hedge accounting purposes. The hedge ratios are documented by the Group at the inception of the hedging transaction. The documentation specifies the hedging instrument, the hedged item, the hedged risk, the hedge strategy implemented, and an assessment of the strategy's alignment with the Group's hedging policy.

B. Accounting policy:

As long as the Group's hedging instruments are deemed effective, changes in the value of derivative financial instruments designated to hedge cash flow are initially recognized in the statement of other comprehensive income (and in the Group's capital). Subsequently, they are carried to the statement of profit and loss when the forecasted hedged transaction is recognized in the statement of profit and loss (for example, Jet Fuel purchase) under the relevant item where the expense for the hedged item is recognized. For instance, the results of the Jet Fuel hedging transactions are carried to the fuel expense item, while forward contracts for ILS-USD exchange rate currency protection are carried to the payroll expenses, that constitute the hedged forecasted transaction for this purpose.

When the hedging by options is done using their intrinsic value only, then changes in the fair value of the time component for such options will also be carried to other comprehensive income (and presented in the statement of changes in capital under a separate capital reserve), and will be classified to profit and loss upon the occurrence of the hedged transaction, or, in certain conditions, prior thereto.

Hedge effectiveness tests are conducted based on an essential test using "economic ratios". The hedge effectiveness assessment is made prospectively according to the scope of consumption of the hedged item relative to the scope of the hedge.



Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

C. Composition of derivative financial instruments in the Statement of Financial Position:

As of 31 December 2025							
Level of Fair Value	Date of Contractual Payment (Income)	Nominal Amount	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Total Fair Value
		USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Derivative financial instruments:							
Derivative financial instruments designated as hedging items:							
Jet Fuel hedging transactions	2	1/26-12/26	143.0		(1.1)		(1.1)
Interest hedging transactions	2	*	** 315.8	5.9	8.2		14.1
USD-ILS exchange rate hedging transactions	2	1/26-7/26	115.0	3.1			3.1
USD-JPY exchange rate hedging transactions		8/29-12/29	71.9			(21.5)	(21.5)
Derivative financial instruments at fair value through profit or loss:							
Option to purchase shares in the FF Company (see Note 14.C)	3				(36.5)		(36.5)
Total assets from derivative financial instruments			9.0	8.2	(37.6)	(21.5)	(41.9)



Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

C. Composition of derivative financial instruments in the Statement of Financial Position: (Cont.)

As of 31 December 2024								
	Level of Fair Value	Date of Contractual Payment (Income)	Nominal Amount	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Total Fair Value
			USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Derivative financial instruments designated as hedging items:								
Jet Fuel hedging transactions	2	1/25-12/25	179.8	2.5		(1.0)		1.4
Interest hedging transactions	2	*	** 376.3	9.5	17.5			27.0
USD-ILS exchange rate hedging transactions	2	1/25-8/25	53.3	0.6		(0.7)		(0.1)
USD-JPY exchange rate hedging transactions		8/29-10/29	54.7				(15.2)	(15.2)
Derivative financial instruments at fair value through profit or loss:								
Option to purchase shares in the FF Company (see Note 14.C)	3					(22.5)		(22.5)
Total assets from derivative financial instruments				12.6	17.5	(24.3)	(15.2)	(9.4)

* Back-to-back hedge transactions according to the repayment dates of the principal and interest of loans, with the final maturity date being 8/30.

** Reflects the principal amount.

Level 2 – The fair value of the Group's hedging transactions (Jet Fuel, interest, and exchange rate) is measured using generally accepted forward rate curves (Level 2 – based on observable parameters).

Level 3 – For the purpose of measuring the option, the Group retained an outside expert. The option was measured using the Black-Scholes (B&S) model.



Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

D. Jet fuel derivatives:

(1) Jet fuel hedging policy

The purpose of the financial hedging of jet fuel prices is to ensure a price range for the purchase of jet fuel, in order to protect the Group's exposure to fluctuations in global jet fuel prices.

According to the Group's policy, jet fuel hedging is performed for a maximum period of 24 months forward, on a revolving monthly basis as follows:

- The hedging volume for the first month will be a maximum of 80% and a minimum of 60%, and will decrease by 5% each month.
- For months 13-18, the Group's management will have the option to hedge up to 25% of the expected jet fuel consumption (without a minimum hedging requirement).
- For months 19-24, the Group's management will have the option to hedge up to 15% of the expected jet fuel consumption (without a minimum hedging requirement).

Hedging is conducted through various financial instruments (price fixing, options, and various option structures), using appropriate underlying assets, such as: jet fuel, crude oil or its distillates, all at the discretion of the Group's management.

When hedging jet fuel prices, the Group hedges only the raw material price component of its jet fuel purchase agreements, which also include logistical and other components, such as storage and transportation. Since the raw material price is the most significant and volatile component of these agreements, the hedging transactions are expected to be effective.

The Risk Management Committee has the authority to approve deviations from the above policy, including the extent of the hedging.



Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

D. Jet fuel derivatives: (Cont.)

(2) Quantitative impact of jet fuel hedging on the Financial Statements

Below is the impact of jet fuel derivatives on the Group's profit and loss, other comprehensive income, capital, and cash flows.

	Impact on profit and loss for the period	Impact on other comprehensive income for the period	Total impact on the Group's capital	Cash flow from derivatives	Increase in asset/decrease in liability (decrease in asset/increase in liability)
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
For the year ended 31 December 2025					
Jet fuel derivatives:					
Balances for jet fuel derivatives as of 1 January 2025		(2.7)			1.4
Revaluation of transactions designated on the books as hedging instruments	-	(9.6)	(9.6)	-	(9.6)
Payment for transactions designated on the books as hedging instruments	(1.9)	1.9	-	(1.9)	1.9
Loss from premiums due to the expiration of derivatives designated as hedging instruments	(6.6)	6.6	-	-	-
Premium payments for hedging instruments	-	-	-	(5.1)	5.1
Total movement in jet fuel derivatives	(8.5)	(1.1)	(9.6)	(7.1)	(2.5)
Balances for jet fuel derivatives as of 31 December 2025		(3.8)			(1.1)
Potential impact of a 15% increase/(decrease) in the price of jet fuel on the fair value of the derivatives at year-end (USD in millions)	-	(5.9)/5.5	(5.9)/5.5	-	(5.9)/5.5



Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

D. Jet fuel derivatives: (Cont.)

(2) Quantitative impact of jet fuel hedging on the Financial Statements (Cont.)

	Impact on profit and loss for the period	Impact on other comprehensive income for the period	Total impact on the Group's capital	Cash flow from derivatives	Increase in asset/decrease in liability (decrease in asset/increase in liability)
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
For the year ended 31 December 2024					
Jet fuel derivatives:					
Balances for jet fuel derivatives as of 1 January 2024		(2.6)			2.0
Revaluation of transactions designated on the books as hedging instruments	-	(7.6)	(7.6)	-	(7.6)
Revenue from transactions designated on the books as hedging instruments	1.8	(1.8)	-	1.8	(1.8)
Early exercise of transactions	-	-	-	-	-
Loss from premiums due to the expiration of derivatives designated as hedging instruments	(9.3)	9.3	-	-	-
Premium payments for hedging instruments	-	-	-	(8.8)	8.8
Total movement in jet fuel derivatives	(7.5)	(0.1)	(7.6)	(7.0)	(0.5)
Balances for jet fuel derivatives as of 31 December 2024		(2.7)			1.4
Potential impact of a 15% increase/(decrease) in the price of jet fuel on the fair value of the derivatives at year-end (USD in millions)	-	(13.0)/13.0	(13.0)/13.0	-	(13.0)/13.0



Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

E. Currency risk:

(1) Currency risk from the Group's expenses and liabilities in ILS

The majority of the Group's revenues and expenses is in USD, which constitutes its functional currency. The Group is exposed to fluctuations in the exchange rate of the USD against other currencies in which it has revenues and expenses, primarily due to most of its payroll expenses that are paid in ILS in Israel. Accordingly, changes in the exchange rate of the USD against the ILS affect the USD value of the Group's ILS-denominated expenses.

The Group's policy allows it to hedge its expected cash flow exposure to the ILS up to 75% for the next 12 months. Additionally, the hedging policy is defined with minimum hedge ratios for hedging the expected cash flow exposure to the ILS: 40% for the next 3 months, 30% for months 4-6, and 15% for months 7-9, on a revolving monthly basis.

Further to the aforesaid regarding the cash flow exposure and hedging policy therefor, the Group has a balance-sheet exposure mainly related to the Group's financial liabilities in ILS, primarily due to employee benefit liabilities, as specified in Note 15. In view thereof, a 10% change in the exchange rate would result in an expense or revenue of approx. USD 17 million under operating income. Conversely, some of the Group's financial assets are in ILS and similar in scope to the liabilities for employee benefits, and therefore a change in the exchange rate as aforesaid would have resulted in an opposite setoff under the exchange differences in the financing item.

(2) Currency risk from loans taken in JPY

The Company has several loans in which part of its financial debt is denominated in JPY. These loans are balloon loans in which the JPY-denominated debt will be repaid at the end of the loan term. The total debt denominated in JPY as of 31 December 2025, amounts to approx. USD 87.3 million. The Group has entered into cash flow swap transactions to fix the JPY exchange rate for debt amounting to approx. USD 54.5 million (as of 31 December 2025) out of the aforesaid amount. In view thereof, a 10% decrease or increase in the exchange rate would result in an expense or revenues, as applicable, of approx. USD 3 million due to the revaluation of the unhedged financial debt.

(3) Quantitative impact of the derivatives on the financial statements

Below is the impact of exchange rate derivatives on the profit and loss, other comprehensive income, capital, and cash flows.



Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

E. Currency risk: (Cont.)

	Impact on profit and loss for the period	Impact on other comprehensive income for the period	Total impact on the Group's capital	Cash flow from derivatives	Increase in asset/decrease in liability (decrease in asset/increase in liability)
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
For the year ended 31 December 2025					
Exchange rate derivatives:					
Balances for exchange rate derivatives as of 1 January 2025		0.1			(15.3)
Revaluation of transactions designated on the books as hedging instruments	-	6.1	6.1	-	6.1
Revenues from transactions designated on the books as hedging instruments	2.9	(2.9)	-	2.9	(2.9)
Revaluation of hedging transactions for loans in JPY	0.6	(5.0)	(4.4)	-	(4.4)
Complementary interest for hedging of loans in JPY	(2.0)	-	(2.0)	-	(2.0)
Total movement in exchange rate derivatives	1.5	(1.8)	(0.2)	2.9	(3.1)
Balances for exchange rate derivatives as of 31 December 2025		<u>(1.7)</u>			<u>(18.4)</u>
Potential impact of a 10% decrease/(increase) in the exchange rate (the strengthening of the USD against the ILS/JPY) on the fair value of the derivatives at year-end (USD in millions)	-	(15.8)/18.8	(15.8)/18.8	-	(15.8)/18.8
For the year ended 31 December 2024					
Exchange rate derivatives:					
Balances for exchange rate derivatives as of 1 January 2024		4.3			(7.3)
Revaluation of transactions designated on the books as hedging instruments	-	(3.4)	(3.4)	-	(3.4)
Revenues from transactions designated on the books as hedging instruments	0.5	(0.5)	-	0.5	(0.5)
Revaluation of hedging transactions for loans in JPY	(2.5)	(0.3)	(2.8)	-	(2.8)
Complementary interest for hedging of loans in JPY	(1.3)	-	(1.3)	-	(1.3)
Total movement in exchange rate derivatives	(3.3)	(4.2)	(7.5)	0.5	(8.0)
Balances for exchange rate derivatives as of 31 December 2024		<u>0.1</u>			<u>(15.3)</u>
Potential impact of a 10% decrease/(increase) in the exchange rate (the strengthening of the Dollar against the ILS/JPY) on the fair value of the derivatives at year-end (USD in millions)	-	(5.5)/6.7	(5.5)/6.7	-	(5.5)/6.7



Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

F. Interest risk:

(1) Description of the risk and quantitative impact

Some of the Group's loans are USD-denominated SOFR-based variable-interest loans as specified in Note 14 above, which expose the Group to cash flow risk from changes in the interest rate. The risk is managed by the Group by maintaining an appropriate ratio of variable-interest loans to fixed-rate loans, as well as using interest derivatives. Hedging transactions are regularly assessed to ensure they align with interest rate forecasts and the desired hedged risk. The optimal hedging strategy is ensured by adjusting the Group's loan mix and implementing "back-to-back" hedges against the payment schedules of existing loans. The actual level of hedging (i.e., the total loans that are either fixed-rate loans or variable-rate loans hedged through interest hedging transactions) as of the report date is ~70% of the financing portfolio.

Below is the impact of interest derivatives on the Group's profit and loss, other comprehensive income, capital, and cash flows.



Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

F. Interest risk (Cont.)

	Impact on profit and loss for the period	Impact on other comprehensive income for the period	Total impact on the Group's capital	Cash flow from derivatives	Increase in asset/decrease in liability (decrease in asset/increase in liability)
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
For the year ended 31 December 2025					
Interest derivatives:					
Balances for interest derivatives as of 1 January 2025		25.9			27.0
Revaluation of transactions designated on the books as hedging instruments	-	(2.8)	(2.8)	-	(2.8)
Revenue from transactions designated on the books as hedging instruments	10.1	(10.1)	-	10.1	(10.1)
Impact of the hedging on the provision for interest payable	(0.6)	0.6	-	-	-
Total movement in interest derivatives	9.5	(12.3)	(2.8)	10.1	(12.9)
Balances for interest derivatives as of 31 December 2025		13.6			14.1
Potential impact of a 50% increase/(decrease) in the interest rate on the fair value of the derivatives at year-end (USD in millions)	-	(9.8)/9.9	(9.8)/9.9	-	(9.8)/9.9
For the year ended 31 December 2024					
Interest derivatives:					
Balances for interest derivatives as of 1 January 2024		30.1			31.6
Revaluation of transactions designated on the books as hedging instruments	-	11.3	11.3	-	11.3
Revenue from transactions designated on the books as hedging instruments	15.9	(15.9)	-	15.9	(15.9)
Impact of the hedging on the provision for interest payable	(0.4)	0.4	-	-	-
Total movement in interest derivatives	15.6	(4.2)	11.3	15.9	(4.6)
Balances for interest derivatives as of 31 December 2024		25.9			27.0
Potential impact of a 50% increase/(decrease) in the interest rate on the fair value of the derivatives at year-end (USD in millions)	-	(10.5)/10.5	(10.5)/10.5	-	(10.5)/10.5



Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

G. Option for the purchase of shares in the FF Company

Further to Note 14.C above as of 31 December 2025, the Group revalued the Option based on an external valuation performed by the Group (Level 3), according to which its value is approx. USD 36.5 million. The main change in value stems from an increase in the value of the underlying asset. Accordingly, the Group recognized an expense in an amount of approx. USD 14 million in the Statement of Profit and Loss for 2025 under 'financing expenses' item.

H. Liquidity risk due to derivatives:

Below are the projected amounts and payment dates for the derivatives, according to the projected market conditions as of 31 December 2025:

	Y2026	Y2027	Y2028	Y2029	Y2030 forth	Total
	USD in millions					
Jet fuel hedging transactions	-	-	-	-	-	-
Interest hedging transactions	5.8	3.7	2.7	1.7	0.1	14.0
Exchange rate hedging transactions – USD:ILS	3.1	-	-	-	-	3.1
Exchange rate hedging transactions – USD:JPY	-	-	-	(21.5)	-	(21.5)
Total revenue (payment) from derivatives	8.9	3.7	2.7	(19.8)	0.1	(4.4)

The Phoenix Option detailed in Note 19.G above was exercised after the date of the Statement of Financial Position, and although it is a liability, after the date of Statement of Financial Position the Company received approx. USD 7.7 million as specified in Note 14.C above. For details regarding the cash flow that is expected to be received by the Group from the phantom option in Cal, see Note 9.B above.



Note 20 – Breakdown of the Statement of Profit and Loss Items

A. Revenues from operation:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Revenues from passengers:			
Revenues from passengers in scheduled flights	2,993.7	2,935.7	2,134.2
Revenues from direct ancillary services	167.2	146.5	123.0
Total revenues from passenger transport	3,160.9	3,082.2	2,257.2
Revenues from cargo transport:			
Revenues from cargo transport in passenger aircraft	133.5	179.7	108.4
Revenues from cargo transport in cargo aircraft	72.9	80.0	50.7
Additional cargo revenues	6.6	7.1	5.5
Total revenues from cargo transport	213.0	266.8	164.6
Total revenues from passenger and cargo transport	3,373.9	3,349.0	2,421.8
Related revenues:			
Revenues from loyalty program component (1)	38.2	25.8	27.8
Sale of food to external parties	28.8	22.3	25.5
Revenues from the sale of duty-free products	20.3	15.7	10.9
Maintenance services for external parties	10.7	13.4	10.5
Other related revenues	4.1	5.9	6.8
Total related revenues	102.1	83.1	81.5
Total revenues from operations	3,476.0	3,432.1	2,503.3

(1) Revenues from the loyalty program component include revenues originating from the sale of points to business partners (mainly for the accrual of points through purchases made with branded credit cards - Flycard) reflecting the consideration received in respect of such accrual of points, net of the liability arising in respect of such points. See Note 13.D above for further details.

B. Revenues from passenger and cargo transport by geographic area:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
America	1,388.3	1,399.9	927.4
Europe	1,533.7	1,557.3	1,175.1
Asia and Africa	451.9	391.8	319.3
Total revenues from passenger and cargo transport	3,373.9	3,349.0	2,421.8



Note 20 – Breakdown of the Statement of Profit and Loss Items (Cont.)

C. Payroll expenses

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Current payroll expenses	736.8	619.0	545.3
Expenses due to profit-based bonuses	83.2	103.9	19.0
Payroll expenses due to share-based payment	4.4	3.6	2.5
Revaluation of employee liabilities	17.0	(0.9)	(2.6)
Actuarial losses	13.6	7.3	3.4
Total	855.0	732.9	567.6

D. Marketing and distribution expenses:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Commissions to agents and credit card companies	145.9	133.0	92.5
Expenses for distribution systems	33.4	37.9	25.9
Advertising and PR	18.6	23.3	23.0
Total	197.8	194.0	141.3

E. Other expenses (revenues), net:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Aircraft impairment reversal to fair value, net of disposal costs	-	(15.0)	-
Capital gain from liquidation of fixed assets	(1.3)	(0.6)	(0.2)
Revaluation of phantom option (see Note 9.D)	(27.4)	(8.3)	(12.5)
Other expenses (see also Notes 12 and 16.(b)(7))	53.2	19.9	0.1
Total	24.6	(4.0)	(12.6)



Note 20 – Breakdown of the Statement of Profit and Loss Items (Cont.)

F. Financing expenses, net:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Interest expenses on loans	27.2	36.2	42.7
Interest expenses on the Phoenix loan	6.9	12.2	13.0
Additional expenses due to impairment of prepaid fees on loans	5.8	7.3	7.6
Interest expenses on lease liabilities	33.0	39.4	42.5
Interest expenses for prepayment for transport of aviation security personnel	24.8	24.9	24.7
Cost of interest, net, due to actuarial liabilities	7.0	5.7	5.0
Expenses from revaluation of the Phoenix option (see Note 19.G)	13.9	10.0	7.2
Interest revenues from deposits	(86.0)	(47.9)	(9.8)
Return on financial assets	(7.5)	-	-
Exchange rate expenses (revenues)	(24.1)	(2.2)	6.1
Other financing expenses	2.5	2.7	3.2
Expenses due to prepayment for the Phoenix loan	-	6.8	-
Total	3.6	95.1	142.2



Note 21 – Transactions with Interested and Related Parties

A. The Company's Controlling Shareholder

Since September 2020, Mr. Eli Zachary Rozenberg, through Kanfei Nesharim Aviation Ltd. ("**Kanfei Nesharim**"), has been the Company's controlling shareholder. On 2 October 2020, the Company received the consent of the holder of the Special State Share to Mr. Rozenberg's purchasing and holding, through Kanfei Nesharim, shares of the Company at the rate of 40% and above of the Company's issued share capital and at a rate that confers on him and on Kanfei Nesharim control of the Company. On 18 May 2021, the consent of the holder of the Special State Share was received (which substitutes the consent of 2 October 2020) to Mr. Eli Zachary Rozenberg and his father Mr. Kenneth Neal Rozenberg, purchasing and holding, through Kanfei Nesharim, shares of the Company, including at a rate that confers on them, or on one of them, and on Kanfei Nesharim, control of the Company. On 28 October 2025, the consent of the holder of the Special State Share was received (which substitutes the consent of May 2021) to Messrs. Kenneth Neal Rozenberg and Eli Zachary Rozenberg purchasing and holding, directly and/or indirectly, through Kanfei Nesharim and/or through Kanfei Nesharim Aviation Holdings, Registered Partnership ("**Kanfei Nesharim Partnership**"), shares of the Company, including at a rate that confers on them, or on one of them, and on Kanfei Nesharim or Kanfei Nesharim Partnership, control of the Company.

On 30 October 2025, an agreement was signed between the Chairman of the Board, Mr. Amikam Ben Zvi, and Messrs. Kenneth Neal Rozenberg and Eli Zachary Rozenberg (the "**Rozenberg Family**"), whereby, following and subject to the receipt of the required regulatory approvals, Ben Zvi and the Rozenberg Family shall enter into an investment agreement for Ben Zvi's investment in Kanfei Nesharim, the controlling shareholder of the Company, which if closed, shall grant the Chairman of the Board 15% of the rights in Kanfei Nesharim, the controlling shareholder of the Company (the "**Investment Agreement**"). Furthermore, the Investment Agreement shall include, *inter alia*, mutual options for the Rozenberg Family and the Chairman of the Board for the sale of the Chairman of the Board's holdings in the controlling shareholder of the Company to the Rozenberg Family. It is clarified that the Investment Agreement, including the closing thereof, shall not create a change in the final control of the Company. As of the date shortly before the approval of the report, the regulatory approvals required for the closing of the said Investment Agreement have not yet been received.

As of 31 December 2025, Kanfei Nesharim held ~45.11% of the Company's shares. As of shortly before approval of the report, Kanfei Nesharim holds ~44.04% of the Company's shares.

B. Agreements and update of agreements with the Controlling Shareholder and with the State

1. The March 2021 Agreement

- 1.1 On 18 March 2021, the Company and Sundor signed an aid agreement with the State of Israel (the "**March 2021 Agreement**" and the "**State**", respectively). By virtue of the March 2021 Agreement, the Company undertook, *inter alia*, to perform an offering of share capital, options or a combination of the two by 31 July 2021, in a sum of no less than USD 105 million (the "**Offering Amount**"), with Kanfei Nesharim Aviation Ltd., the Company's controlling shareholder (the "**Controlling Shareholder**"), undertaking to subscribe, in the offering, for shares, options or a combination of the two in an amount of no less than USD 43 million (the "**Offering**").
- 1.2 In the March 2021 Agreement, the Company assumed various undertakings, some of which were canceled or adjusted in the September 2022 Agreement and in the addendum to the April 2025 Agreement (see below). With respect to the Company's undertaking that is still in effect by virtue of the March 2021 Agreement or the September 2022 Agreement, see Section 4.3 below.

2. The November 2021 Agreement

- 2.1 In view of the changes in the business environment and the repercussions of the Delta variant of Covid, in Q3/2021, the Company approached the Ministry of Finance with respect to fulfillment of its undertaking to perform the Offering on a later date instead of the date determined in the March 2021 Agreement (by 31 July 2021).



Note 21 – Transactions with Interested and Related Parties (Cont.)

B. Agreements and update of agreements with the Controlling Shareholder and with the State (Cont.)

2. The November 2021 Agreement (Cont.)

- 2.2 On 22 November 2021, the Company signed an agreement for the receipt of additional aid (the **"November 2021 Agreement"**) with the State and with the Controlling Shareholder, and as a derivative thereof the Company signed an agreement with the Controlling Shareholder for the provision of loans by the Controlling Shareholder to the Company (the **"First Shareholder Loan Agreement"**). In view of the Company's inability to perform the Offering, according to the shareholder loan agreement the Controlling Shareholder undertook to provide the Company with unsecured, interest-free shareholder loans in the sum of USD 43 million (the **"First Shareholder Loan"**), in lieu of the Controlling Shareholder's undertaking to make subscriptions in the Offering as aforesaid. In addition, according to the First Shareholder Loan Agreement, the Controlling Shareholder undertook to provide the Company with additional unsecured, interest-free shareholder loans in the sum of USD 20 million (the **"Second Shareholder Loan"**). With respect to the second shareholder loan agreement and an update to the amount of the Second Shareholder Loan, see Section 3 below.
- 2.3 According to the November 2021 Agreement and the First Shareholder Loan Agreement, the Controlling Shareholder was entitled, at any time and subject to any law, to convert the First Shareholder Loan and/or the Second Shareholder Loan (collectively: the **"Shareholder Loans"**), in whole or in part, into share capital of the Company.
- 2.4 In the November 2021 Agreement, the Company undertook to perform the Offering and raise the Offering Amount by 19 September 2022, in one phase or several phases, and it was determined that the First Shareholder Loan in the sum of USD 43 million would be deemed as performance of the Controlling Shareholder's obligation regarding the subscription in the Offering and as part of the Offering Amount.
- 2.5 In the November 2021 Agreement and in the First Shareholder Loan Agreement, it was determined that after the Company had raised in the Offering an amount exceeding USD 62 million, it would repay the First Shareholder Loan, such that any amount raised over and above the said sum would be used for repayment of the First Shareholder Loan. Insofar as the amount raised in the Offering would be raised from third parties rather than from the Controlling Shareholder and would exceed, as aforesaid, the said amount, then repayment of the First Shareholder Loan would be subject to the provisions of Section 2.8 below. Without derogating from the Company's undertaking as stated in Section 2.4 above, the Company would be entitled to raise capital in offerings also after 19 September 2022 (the **"Additional Offerings"**), and amounts raised from the Controlling Shareholder in the Additional Offerings could be used by the Company for repayment of the First Shareholder Loan.
- 2.6 In the November 2021 Agreement and in the First Shareholder Loan Agreement, it was determined that the Company would repay the Second Shareholder Loan in a single installment, on 31 December 2025, provided that all of the State's Bonds (as defined below) were repaid or converted into shares prior thereto. In this context, the balance of the shareholder loan was repaid by the Company by the foregoing date.
- 2.7 The State undertook that after the Company would be provided with the Shareholder Loans, it would transfer USD 20 million to the Company against the Company's allotment of bonds convertible into shares of the Company for a period of 3 years (the **"Bonds"**). At the end of the 3 years from the date of provision of the said amount by the State, the Company would be entitled to repay the Bonds or convert them (in whole or in part) into shares of the Company.
- 2.8 The November 2021 Agreement determined a prepayment mechanism for a case where the Company would actually raise, in or after the Offering, an amount exceeding the Offering Amount (the **"Additional Capital"**), by way of an offering of shares or options, such that one third of the Additional Capital would be used for repayment of the Second Shareholder Loan and one third would be used for repayment of the Bonds. Insofar as any amount out of the Bonds would be converted into shares of the Company, it would not be possible to prepay any amount to the Controlling Shareholder or the State, and insofar as the full amount of the Bonds would be repaid to the State, then one half of the Additional Capital (rather than one third) would be used for repayment of the Second Shareholder Loan.



Note 21 – Transactions with Interested and Related Parties (Cont.)

B. Agreements and update of agreements with the Controlling Shareholder and with the State (Cont.)

2. The November 2021 Agreement (Cont.)

- 2.9 By the signing of the January 2022 Agreement (as defined below), the Controlling Shareholder had provided, by virtue of the November 2021 Agreement, shareholder loans in the sum total of USD 50 million (the First Shareholder Loan in full and part of the Second Shareholder Loan), and the State had provided, by virtue of the November 2021 Agreement, loans in the sum total of USD 7 million.

3. The January 2022 Agreement

- 3.1. In view of the crisis resulting from the outbreak of the Omicron variant, in January 2022, the Company reached in-principle understandings with the State on an outline for additional aid. On 16 January 2022, a government resolution was adopted approving additional aid for Israeli airlines as a result of the outbreak of the Omicron virus.
- 3.2. On 23 January 2022, the Company signed an agreement for the receipt of additional aid (the "**January 2022 Agreement**") with the State and the Controlling Shareholder, and as a derivative thereof the Company signed another agreement with the Controlling Shareholder for the provision of loans by the Controlling Shareholder to the Company (the "**Second Shareholder Loan Agreement**").
- 3.3. The January 2022 Agreement includes, inter alia, amendments to dates determined in the November 2021 Agreement, the provision of additional aid by the State and the Controlling Shareholder by way of the provision of loans and bringing forward of payments for fuel consumption.
- 3.4. The January 2022 Agreement determined that loans would be provided to the Company in an additional sum of USD 5 million by the Controlling Shareholder or a third party. In any case where the said amount would be provided, in whole or in part, by a third party, it would be provided interest-free and without collateral, and would be repaid only after all of the State's Bonds were repaid or converted into shares prior thereto, or alternatively would be converted into shares of the Company.

Accordingly, the Company signed an agreement with the NGO Tnufa LeTzmicha, founded by Histadrut, the New General Federation of Labor (the "**NGO**"), for the provision of a loan to the Company in the sum of ILS 10 million by 30 June 2026, against the allotment of a bond convertible into shares of the Company, with the terms and conditions of the bond allotted to the NGO being similar to the terms and conditions of the State's Bonds. In any case where the Company would repay the Controlling Shareholder's loans according to the January 2022 Agreement and the November 2021 Agreement or any other loan provided to the Company by the Controlling Shareholder, on the same date the Company would also repay the loan provided by the NGO.

The balance of the amount (USD 2 million) would be provided by the Controlling Shareholder as a shareholder loan, under terms and conditions similar to the terms and conditions of the controlling shareholder loans provided under the November 2021 Agreement, including with respect to the maturity dates and the right of conversion into share capital of the Company (subject to any law).

- 3.5. The January 2022 Agreement determined that shortly after provision of the loans stated in Section 3.4 above, the State would transfer USD 20 million to the Company against the allotment of a dollar bond convertible into shares of the Company, for a period of 3 years. Repayment or conversion (in whole or in part) of the said bond would be according to the mechanism set forth in the November 2021 Agreement.
- 3.6. The January 2022 Agreement clarified that the Company would be entitled, at its discretion, to repay part of the State's Bonds and to convert part into shares of the Company, provided that the full amount of the State's Bonds was repaid or converted into shares.



Note 21 – Transactions with Interested and Related Parties (Cont.)

B. Agreements and update of agreements with the Controlling Shareholder and with the State (Cont.)

3. The January 2022 Agreement (Cont.)

- 3.7. As aforesaid, concurrently with the signing of the January 2022 Agreement, the Company signed a shareholder loan agreement with the Controlling Shareholder regulating the terms and conditions of the Controlling Shareholder's loans according to the January 2022 Agreement (including the amendment to the November 2021 Agreement) (the **"Second Shareholder Loan Agreement"**), and determining, *inter alia*, that similarly to the First Shareholder Loan Agreement, the Company would repay the full Second Shareholder Loan on 31 December 2025, provided that such repayment would not breach the provisions of the January 2022 Agreement and the terms and conditions thereof, including that all of the Bonds allotted to the State by virtue of the January 2022 Agreement were repaid or converted into shares of the Company prior thereto. It is clarified that repayment of the Second Shareholder Loan, or any part thereof, is subject to conversion of the Second Shareholder Loan, or any part thereof, into share capital of the Company, as stated in the January 2022 Agreement, according to which the Controlling Shareholder may, at any time and subject to any law, convert the Shareholder Loans or any part hereof into share capital of the Company.
- 3.8. Further to the signing of the January 2022 Agreement and the Second Shareholder Loan Agreement, in February 2022, the Company received the sum of USD 20 million from the Controlling Shareholder, which constitutes the Controlling Shareholder's full undertakings for provision of the Second Shareholder Loan, such that together with the sum of USD 7 million that was provided by the Controlling Shareholder prior to the signing of the said agreements, the Second Shareholder Loan totals USD 27 million.
- 3.9. Further to the signing of the January 2022 Agreement and provision of the Second Shareholder Loan in full, in February 2022, the Company received the sum of USD 50 million from the State of Israel, which constitutes the State's full undertakings for aid loans (USD 38 million) and the bringing forward of payments for fuel consumption (USD 12 million).

4. The September 2022 Agreement

- 4.1 In view of the desire to facilitate the Company's growth and the improvement of its financial results, and in order to create managerial flexibility, *inter alia* by way of investments in the Company's working capital, and further to the Company's signing of collective bargaining agreements with the Company's various segment committees and Histadrut, the New General Federation of Labor, on 11 September 2022, the Company, the State and the Controlling Shareholder signed a new agreement amending the previous aid agreements (the **"September 2022 Agreement"**), in which most of the undertakings imposed on the Company by virtue of the March 2021 Agreement, the November 2021 Agreement, the January 2022 Agreement (as amended in March 2022 and in June 2022) (collectively: the **"Previous Aid Agreements"**), were adjusted or cancelled against the bringing forward, by around two years, of repayment of the loan amounts provided by the State to the Company, by way of bonds convertible into shares of the Company in the sum total of USD 45 million (the **"Debt to the State"**). The Company completed repayment of the Debt to the State in November 2022.



Note 21 – Transactions with Interested and Related Parties (Cont.)

B. Agreements and update of agreements with the Controlling Shareholder and with the State (Cont.)

4. The September 2022 Agreement (Cont.)

- 4.2 The September 2022 Agreement determined that the date for performance of the Offering was postponed to 1 April 2023. In lieu of performance of the Offering, the Company would be entitled to transfer to the Company's capital reserve an amount of no less than USD 62 million out of the net profit from the consummation of the FFP transaction. The transfer to a capital reserve as aforesaid was performed in 2022 and is final, such that it will not be possible to perform, out of the said capital reserve, any distribution of dividends or buyback of shares. The September 2022 Agreement further determined that by 1 July 2023, the Company would perform a distribution of stock dividends in the sum of the capital reserve, in an amount that would total, together with the Offering Amount, insofar as such offering was performed, at least USD 62 million. It is clarified that in any case where the Company makes a transfer to the capital reserve and performs a distribution of stock dividends in an amount exceeding USD 62 million, any amount exceeding the said sum, whether as a result of the transfer to the capital reserve and the distribution of stock dividends or as a result of performance of the Offering, may be used for repayment of the First Shareholder Loan (USD 43 million) according to the foregoing mechanism, subject to the provisions of the law. In accordance with the aforesaid, on 5 June 2023, the Company performed a distribution of stock dividends which constituted 26.77% of the Company's issued and paid-up capital, as of the date of the distribution, as aforesaid.
- 4.3 As aforesaid, after repayment of the Debt to the State by the Company in full (bringing forward repayment by around two years), the obligations imposed on the Company by the State by virtue of the March 2021 Agreement were adjusted or canceled, with the exception of:
- 4.3.1 The Company's obligation not to perform a dividend distribution, including any buyback of shares, until the end of 2025, while any performance of a distribution or dividend distributions, including any buyback of shares, in 2026 to 2028 (inclusive) shall not exceed 30% of the total net profit in each of the said years jointly as of the date of the distribution, remained unchanged.
- 4.3.2 The Company's obligations in connection with the performance of transactions with officers, interested parties or controlling shareholders were reduced and adjusted, such that until 30 June 2026, the State's approval will be required only for transactions with an interested party (excluding transactions with entities included in the First Schedule to the Securities Law, 5728-1968, or transactions with control subsidiaries [sic] of the Company) in a total aggregate sum of over USD 10 million (or over USD 1 million if the transaction is not at arm's length) or for transactions with a controlling shareholder of the Company in an aggregate amount exceeding USD 1.5 million in a calendar year.
- 4.3.3 The Company's obligation with respect to the prohibition on the sale/transfer/ pledge, etc. of the Company's rights in takeoff and landing slots at the various airports in Israel and worldwide, without the State's prior written approval, shall remain unchanged until 31 December 2030.

5. Addendum to the March 2021 Agreement

On 10 April 2025, the parties signed an addendum to the agreement of March 2021, in the context of which the restriction applicable to the Company and Sundor in connection with the distribution of dividends, including buyback of shares, as specified in Section 4.3.1 above, as follows:

- a. In 2025 the total dividend amount shall not exceed 30% of the total net profit in such year as of the distribution date, including dividend declared in 2026 for 2025.
- b. In each of the years 2026-2028 (inclusive) the total dividends shall not exceed 40% of the net profit in such year, as of the distribution date, including dividend which will be declared in the following year for the previous years.

For details regarding the dividend distributed by the Company in January 2026, subject to restrictions as specified above, or Note 18 to the financial statements.



Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested and related parties:

Below is a general description of the transactions with the Controlling Shareholder and with third parties in which the Controlling Shareholder may have a personal interest, the characteristics and amount thereof:

(1) Negligible transactions with the Controlling Shareholder:

On 6 November 2024 the Company's Board, following the Company's Audit Committee's approval of 16 September 2024, approved a Negligible Transactions Procedure, to aid with the classification of transactions with officers, interested parties or controlling shareholders of the Company ("**Interested Party Transactions**") as negligible transactions, as set forth in Section 41(a3) of the Securities Regulations (Annual Financial Statements), 5770-2010 (the "**Regulations**"). This Procedure will also serve to review the scope of disclosure in periodic reports and in prospectuses of the Company on a transaction with a controlling shareholder, or in the approval of which a controlling shareholder has personal interest, as set forth in Section 22 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 and Section 54 of the Securities Regulations (Prospectus Details and Prospectus Draft – Form and Structure), 5729-1969.

In the absence of special qualitative considerations, an Interested Party Transaction which is not an irregular transaction shall be deemed a negligible transaction if the relevant criterion calculated for one transaction or more (as the case may be) is at a rate of less than 0.5% of the relevant criterion:

- (a) In the purchase of a fixed asset – the annual scope of the transaction to the total assets in the latest annual financial statements released by the Company;
- (b) In the sale of an asset – the annual profit/loss from the transaction to the annual profit/loss in the latest annual financial statements released by the Company, and the value of the sold asset to the total assets in the Company's latest consolidated financial statement⁴;
- (c) In the taking of a financial liability – the annual scope of the transaction to the total liabilities in the latest annual financial statements released by the Company;
- (d) In the purchase/sale of products (other than fixed assets) or services, and in an engagement in transactions for the lease of properties, including office leases – the annual scope of the transaction to the total revenues from sales and services, as stated in the latest financial statements released by the Company;
- (e) Any other relevant criterion to be determined by the Company, when the foregoing criteria do not fit the transaction under review.

Separate transactions on the same type shall be weighed together, such that the negligibility criterion shall be examined both for each individual transaction, and for the annual aggregate total of transactions of the same type.

In the case of multi-year transactions, the negligibility of the transaction shall be reviewed on an annual basis.

(2) Transactions with the controlling shareholder or a relative thereof:

- (a) After the date of the Statement of Financial Position, on 21 January 2026 and 22 January 2026, the Company's Audit and Compensation Committee and Board, respectively, approved engagement in a D&O insurance policy for the period from 1 February 2026 to 31 July 2027, for directors and officers of the Company and its subsidiaries and of affiliates, as being from time to time. The terms and conditions of the insurance policy are identical for all of the Company's officers, including the officers from among the Company's Controlling Shareholder, as being from time to time. For details regarding the D&O insurance that was in effect during the report year, see Note 21 to the 2024 periodic report.

For details regarding expenses for D&O insurance, see Note 21.G below.

⁴ For the sake of good order, if only one of the tests is met, the transaction will be deemed as a non-negligible transaction.



Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested and related parties (Cont.)

(2) Transactions with the controlling shareholder or a relative thereof (Cont.)

- (b) All of the Company's officers, including the directors, were granted letters of indemnity in the language approved on 29 November 2017 by the general meeting of the Company's shareholders.
- (c) On 31 December 2025, the general meeting approved renewal of the terms of office and employment of the Vice Chairs of the Company's Board, Messrs. Kenneth Neal Rozenberg and Daryl Hagler for a period of 3 years from 1 January 2026 under the following conditions:
The monthly compensation to be paid to the two Vice Chairs of the Board or to a company controlled by them, shall total ILS 50,000 plus VAT (insofar as applicable) (which may be converted into flight tickets).
In addition to the said monthly compensation, each one of the Vice Chairs of the Board will be entitled, each year, to flight tickets for him and his family members (his spouse, his children, and the children's spouses) in the sum of USD 100,000, for each one of the Vice Chairs of the Board and his family members, as aforesaid, to be calculated in relation to all of the members of such family jointly according to the value of tickets in accordance with the Company's procedures, as shall be updated from time to time. Each one of the Vice Chairs of the Board will be entitled to Top customer status throughout the term of his office as Vice Chair of the Company's Board.
The terms of office and employment that were approved for the Vice Chairs of the Board as aforesaid are in lieu of their entitlement to remuneration for participation in meetings and the annual directors' remuneration to which they are entitled according to the Companies Regulations (Rules on Outside Directors' Remuneration and Expenses), 5760-2000.
- (d) On 30 May 2024, the general meeting of the Company's shareholders approved the renewal of letters of indemnity, starting from 20 May 2024 and 24 May 2024, respectively, to Mr. Kenneth Neal Rozenberg and Mr. Daryl Hagler, respectively, who hold office as Vice Chairs of the Company's Board, for a period of three years, in the same language as the other directors and officers of the Company, in accordance with the Company's compensation policy.
- (e) In 2024, the Company granted a letter of indemnity to the Controlling Shareholder, in the context of a transaction with a third party, in which the Controlling Shareholder provided a guarantee (for no consideration) to such third party.
- (f) On 21 January 2026 and 22 January 2026, the Company's Audit and Compensation Committee and Board, respectively, approved the Company's engagement with a "relative" of the Chairman of the Company's Board, Mr. Yaron Ben Zvi, pursuant to Section 1B(4) of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000 (the "**Relaxation Regulations**"), who shall serve in the position of project manager at the Company and as a director of subsidiaries. Mr. Yaron Ben Zvi shall be employed by the Company under an employment relationship, and the term of his employment shall be three years from 22 January 2026, while each one of the Company and Mr. Yaron Ben Zvi shall be entitled to end his employment, at any time, by giving prior notice. For his work, Mr. Yaron Ben Zvi will be entitled to a salary equal to the average monthly market salary, as shall be updated from time to time, and will also be entitled to standard benefits.

The above engagements were approved by the Audit and Compensation Committee and the Board, after classification thereof by the Audit and Compensation Committee as non-irregular engagements.



Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested and related parties (Cont.)

(3) Transactions with the Controlling Shareholder which are beneficial to the Company

According to agreements with the Controlling Shareholder and the State, as specified above, as of the date of the financial statements, the shareholder loan, by virtue of the agreements described above, has been repaid in full. In April 2024, the Company repaid part of the shareholder loan, in the sum of approx. USD 60.2 million and in December 2025 the balance of the loan in the sum of approx. USD 9.8 million was repaid.

It was determined in the Shareholder Loans as specified above that these transactions are purely beneficial to the Company, all according to Regulation 1(2) of the Relaxation Regulations. The Shareholder Loans on behalf of the Controlling Shareholder, as specified above, were provided for no consideration from the Company, do not bear any interest or linkage and were not secured by any collateral. For details regarding repayment of the Shareholder Loans, see Note 14.D to the Financial Statements.

(4) Transactions with interested parties

(a) Employment of the Company's Chairman of the Board

On 6 June 2023, the meeting of the Company's shareholders approved an update to the terms of office and employment of the Chairman of the Board, Mr. Amikam Ben Zvi, such that he holds a 90% position from the date of the approval of the shareholders' meeting. In consideration for his services, Mr. Ben Zvi is entitled to a monthly salary in the sum of ILS 102,000 (the "**Monthly Salary**"). The Monthly Salary is linked to the rise in the CPI and shall be updated once a year in the month of January according to the rate of rise in the CPI in the previous year. Mr. Ben Zvi's salary does not exceed 90% of the monthly base salary of the incumbent CEO, as specified in Section (c) below, in consideration of a 90% position.

The meeting also confirmed that Mr. Ben Zvi will be entitled to Top customer status throughout his term of office as Chairman of the Board.

Mr. Ben Zvi is entitled to related benefits, such as social benefits, actuarial provisions due to separation from employment. The Company makes contributions, as is standard, for Mr. Ben Zvi, into a managers' insurance policy and/or pension fund chosen by Mr. Ben Zvi. Mr. Ben Zvi is entitled to contributions into a study fund and to telephones. Mr. Ben Zvi and his family members are entitled to flight ticket benefits during the period of his employment at the Company in the same quantity and under the same conditions as those determined for the Vice Chairs of the Board in the compensation policy, as being and as updated from time to time. Insofar as Mr. Ben Zvi completes three years as Chairman of the Board, he will be entitled to flight ticket benefits also after his retirement, for a period of five years.

Mr. Ben Zvi is also entitled to an annual bonus in an amount that shall not exceed 81% of the annual bonus that is paid to the Company's CEO (as specified in Subsection (b) below), as being from time to time, all according to the Company's compensation policy, as shall be in effect from time to time, including regarding threshold conditions for receipt of the bonus, and with respect to reduction of the bonus amount by the Company's Board and reimbursement of amounts paid, if any, based on information that transpired to be wrong and was restated in the Company's financial statements, and subject to approvals that are required by law.

According to the previous compensation policy, in a year in which there was no distribution of bonuses for whatever reason (including in cases of non-fulfillment of the threshold conditions for the distribution of a bonus according to the compensation policy (the "**Threshold Conditions**"), or only part of the annual bonus was distributed, the Company's competent organs may decide, at their discretion, to pay Mr. Ben Zvi a special bonus in an amount no higher than a sum equal to 3 months' base salary only (as being at the end of the year for which the special bonus is granted), provided that the sum of the bonuses does not exceed the caps set forth in the compensation policy.



Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested and related parties (Cont.)

(4) Transactions with interested parties (Cont.)

(a) Employment of the Company's Chairman of the Board (Cont.)

The Company has provided Mr. Ben Zvi with an executive car with a purchase value of up to ILS 400,000 (excluding VAT). The Company also bears the expenses of use and maintenance of the car, including parking for business needs, toll roads, insurance and licensing, and including gross-up of the tax that applies to the car usage value, as aforesaid. On 26 January 2025, the meeting of the Company's shareholders approved updates to the terms of office and employment of the Company's Chairman of the Board, whereby, in view of rising prices in the Israeli economy in general and in the auto market in particular (*inter alia* in view of the security situation in Israel and prolongation of the War), the Company's share in the purchase value of the executive car to be provided to the Chairman of the Board shall be up to ILS 600,000 (plus VAT). It was further approved that insofar as the Chairman of the Board shall not be interested in such company car, then the Company shall bear the costs of maintenance of his private car in a sum similar to the said maximum purchase value by the Company. The meeting also approved as aforesaid the payment of a special bonus to the Chairman of the Board for 2024, in the sum of 4 months' salary.

On 31 December 2025, the meeting of the Company's shareholders approved updates to the terms of office and employment of Mr. Ben Zvi. In consideration for his services, Mr. Ben Zvi will be entitled to a (gross) monthly salary of ILS 141,000, which shall be linked to the rise in the CPI and shall be updated once a year, in January, according to the rate of rise in the CPI in the previous year.

The shareholders meeting also approved an allotment of 925,250 non-marketable and non-transferable warrants exercisable for 925,250 ordinary shares of par value ILS 1 each of the Company, as well as an allotment of 128,743 unlisted restricted stock, all for no consideration, and in accordance with the Company's option plans and the compensation policy.

In addition, the shareholders meeting approved an update to the advance notice period such that it shall be six (6) months, this being instead of an advance notice currently in effect, of three (3) months. The other terms of employment of the Chairman of the Board remained unchanged.

In addition, the annual bonus for the Chairman of the Board for 2026 forth shall be granted according to the mechanism set forth in Section 7.2.2 of the new compensation policy, as specified below:

Subject to the Company's compliance with the threshold conditions for a distribution (the consolidated annual pre-tax profit of the Company in such year is at least 50 (fifty) million U.S. dollars), Mr. Ben Zvi will be entitled to an annual bonus according to the following mechanism:

A sum of up to ILS 1.35 million shall be paid as follows: A minimum profit-based bonus: ILS 500 thousand shall be granted in the event that the Company records a consolidated annual (pre-tax) profit of USD 50 million (the "**Minimum Profit Threshold**"). A maximum profit-based bonus: ILS 1.35 million shall be granted in the event that the Company records a consolidated annual (pre-tax) profit of USD 250 million (the "**Maximum Profit Threshold**"). It is clarified that for a profit of between the Minimum Profit Threshold and the Maximum Profit Threshold, the Chairman of the Board shall be entitled to an annual bonus calculated on a pro-rata linear basis.

A sum of up to ILS 1.35 million shall be paid as follows: A minimum turnover-based bonus: ILS 500 thousand shall be granted in the event that the Company records a consolidated annual turnover of USD 1,500 million (the "**Minimum Turnover Threshold**"). A maximum turnover-based bonus: ILS 1.35 million shall be granted in the event that the Company records a consolidated annual turnover of USD 2,500 million (the "**Maximum Turnover Threshold**"). It is clarified that for a turnover between the Minimum Turnover Threshold and the Maximum Turnover Threshold, the Chairman of the Board shall be entitled to an annual bonus calculated on a pro-rata linear basis.



Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested parties and related parties: (Cont.)

(4) Transactions with interested parties (Cont.)

(b) Agreement for employment of the Company's outgoing CEO

On 7 April 2022, the Company's Board approved the appointment of Ms. Dina Ganancia Ben Tal as Company's CEO. Ms. Ganancia Ben Tal's appointment as Company's CEO took effect on 19 May 2022. On 19 July 2022, the meeting of the Company's shareholders approved the terms of office and employment of Ms. Ganancia Ben Tal, from the date of commencement of her term of office on 19 May 2022, and for an indefinite term, as full-time Company's CEO. Each party will be entitled to terminate the employment agreement for any reason, by advance notice. Upon delivery of the advance notice by either of the parties as aforesaid, the parties shall determine the actual date of termination of employment relations.

In April 2023, the Company's Audit and Compensation Committee and Board approved the cancelation of the resolution regarding salary cuts at a rate of 20% of the monthly base salary for all of the Company's officers (the "**Resolution**"). In this context, and from the date of adoption of the Resolution, Ms. Ganancia Ben Tal was entitled to a gross monthly salary of ILS 120,000. Ms. Ganancia Ben Tal's salary is linked to the rise in the CPI.

Ms. Ganancia Ben Tal is entitled to payroll-related benefits, such as social benefits, actuarial provisions due to termination of employment relations, including any income credited to the salary due to a component granted to the CEO. The Company makes standard payments for the CEO into a managers' insurance policy and/or pension fund chosen by Ms. Ganancia Ben Tal. Ms. Ganancia Ben Tal is entitled to provisions for a study fund and telephones. The Company provides Ms. Ganancia Ben Tal with a car for work-related needs, including travel to and from work. The expenses entailed by maintenance and use of the car are borne and paid by the Company. The Company grosses up the tax that applies to the car usage value. Ms. Ganancia Ben Tal and her family members are entitled to flight ticket benefits during the period of her employment at the Company and flight ticket benefits upon retirement.

Ms. Ganancia Ben Tal is entitled to an annual bonus at a rate of 2% of the Company's annual (pre-tax) profit (after provisions for bonuses), as shall appear in the Company's annual consolidated and audited financial statements, and no more than ILS 3 million, according and subject to the terms and conditions, restrictions and provisions that have been or shall be determined in the Company's compensation policy, including provisions regarding threshold conditions for receipt of a bonus, the possibility of reduction of the bonus amount by the Company's Board and reimbursement of amounts paid, if any, based on information that transpired to be wrong and was restated in the Company's financial statements, and subject to approvals that are required by law.

According to the previous compensation policy, in a year in which there was no distribution of bonuses for whatever reason (including in cases of non-fulfillment of the threshold conditions, the Company's Audit and Compensation Committee and Board may decide, at their discretion, to pay Ms. Ganancia Ben Tal a special bonus in an amount no higher than a sum equal to 3 months' base salary only (as being in the year for which the special bonus is granted). The Company's Audit and Compensation Committee and Board may decide to pay Ms. Ganancia Ben Tal a special bonus also in a year in which the threshold conditions were fulfilled, provided that the sum of the bonuses, the annual bonus and the special bonus, does not exceed ILS 3 million.

In this context, in 2023, a special bonus was paid to Ms. Ganancia Ben Tal for 2022 in the sum of ILS 360,000.



Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested parties and related parties: (Cont.)

(4) Transactions with interested parties (Cont.)

(b) Agreement for employment of the Company's outgoing CEO (Cont.)

On 26 January 2025, the Company's shareholders meeting approved updates to the terms of office and employment of the Company's outgoing CEO, whereby, in view of rising prices in the Israeli economy in general and in the auto market in particular (*inter alia* in view of the security situation in Israel and the prolongation of the War), the Company's share in the value of purchase of the executive car to be provided to the Company's outgoing CEO shall be up to ILS 600,000 (plus VAT). It was further approved that insofar as the Company's outgoing CEO will not be interested in such company car, then the Company shall bear the costs of maintenance of her private car in a sum similar to the said maximum value of purchase by the Company. The meeting further approved, as aforesaid, the payment of a special bonus to the Company's outgoing CEO for 2024, in the sum of 4 months of salary. A typographical error was also fixed such that the advance notice period to the Company's outgoing CEO upon retirement, will be 6 months (in lieu of 3 months).

In July 2025, Ms. Ganancia Ben Tal gave notice of her wish to step down as CEO of the Company. On 31 December 2025, Ms. Ganancia Ben Tal stepped down as CEO of the Company. On 21 January 2026 and 22 January 2026, after the date of the Statement of Financial Position, the Audit and Compensation Committee and the Board, respectively, approved updates to the terms of retirement for Ms. Ganancia Ben Tal, made per Ms. Ganancia Ben Tal's request. On 22 January, the Company released a notice summoning a general meeting of the Company's shareholders, due to be held on 26 February 2026 (in this section, the "**Meeting**"), on whose agenda is, *inter alia*, approval of the updates to the terms of retirement for Ms. Ganancia Ben Tal, such that a special bonus shall be granted for 2025 in the sum of 6 months' base salary (gross).

(c) Agreement for employment of the Company's CEO

On 21 September 2025, the Company's Board approved the appointment of Mr. Levy Halevy ("**Mr. Halevy**") as CEO of the Company, who assumed his role on 21 January 2026. On 21 January 2026 and 22 January 2026, the Audit and Compensation Committee and the Board, respectively, approved and recommended that the meeting of the Company's shareholders approve the terms of office and employment of Mr. Halevy. On 26 February 2026, a shareholders' meeting is due to be held (the "**Meeting**"), on whose agenda is, *inter alia*, approval of the terms of office and employment of Mr. Halevy, including the granting of equity-based compensation.

In accordance with the proposed terms of office and employment of Mr. Halevy, he will be entitled to a gross monthly salary in the sum of ILS 175,000 (one hundred and seventy-five thousand shekels), with the salary being linked to the CPI and updated once a year in accordance with the rate of change in the CPI in the previous year. It is clarified that in the event that the updated CPI is lower than the previous CPI, the salary shall not be reduced.

Subject to the Company's meeting the threshold conditions for a distribution (the Company's consolidated annual pre-tax profit in such year being at least 50 (fifty) million U.S. dollars), Mr. Halevy will be entitled to an annual bonus in accordance with the following mechanism:

1. A sum of up to ILS 1.5 million shall be paid as follows: a minimum profit-based bonus of ILS 500,000 shall be granted in the event that the Company records a consolidated annual (pre-tax) profit of USD 50 million (the "**Minimum Profit Threshold**"). A maximum profit-based bonus of ILS 1.5 million shall be granted in the event that the Company records a consolidated annual (pre-tax) profit of USD 250 million (the "**Maximum Profit Threshold**"). It is clarified that for a profit between the Minimum Profit Threshold and the Maximum Profit Threshold, the incoming CEO shall be entitled to an annual bonus calculated on a pro-rata linear basis.



Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested parties and related parties: (Cont.)

(4) Transactions with interested parties (Cont.)

(c) Agreement for employment of the Company's CEO (Cont.)

2. A sum of up to NIS 1.5 million shall be paid as follows: a minimum turnover-based bonus of ILS 500,000 shall be granted in the event that the Company records a consolidated annual turnover of USD 1,500 million (the "**Minimum Turnover Threshold**"). A maximum turnover-based bonus of ILS 1.5 million shall be granted in the event that the Company records a consolidated annual turnover of USD 2,500 million (the "**Maximum Turnover Threshold**"). For a turnover between the Minimum Turnover Threshold and the Maximum Turnover Threshold, the incoming CEO shall be entitled to an annual bonus calculated on a pro-rata linear basis.

According to Section 4.3 of the Company's compensation policy, Mr. Halevy's annual bonus may be reduced, *inter alia*, subject to and in accordance with the approval of the grant of equity-based compensation as detailed below.

According to the Company's compensation policy, in any year in which no bonuses are distributed for any reason (including where the threshold conditions for the payment of a bonus as defined in the compensation policy (the "**Threshold Conditions**") are not met, the Compensation Committee and the Board shall be entitled, at their discretion, to approve the payment of a special bonus to Mr. Halevy in an amount not exceeding 3 (base) monthly salaries. The Compensation Committee and the Board may also approve the payment of a special bonus to Mr. Halevy in a year in which the Threshold Conditions are met, provided that the aggregate bonuses (the annual bonus and the special bonus) do not exceed the caps set forth in Section 7.2.1. of the compensation policy.

Subject to the Meeting's approval, Mr. Halevy shall be granted options and restricted stock as follows: an allotment of 1,069,751 non-negotiable and non-transferable options, exercisable for 1,069,751 ordinary shares of par value ILS 1 each of the Company, for no consideration, and an allotment of 132,822 restricted stock, according to the Company's compensation policy, in accordance with and subject to the 2022 Plan.

The options will vest over a 3-year period, with 1/3 of the total options granted vesting and becoming exercisable upon completion by the offeree of 12 full months of consecutive service, commencing from 22 January 2026. The options will be exercisable from the vesting date until the end of 3.5 years after the grant date. Options not exercised by the end of the said exercise period will expire and will not confer on the offeree any right whatsoever.

Mr. Halevy shall be entitled to a signing bonus in the amount of six (base) salaries, subject to his commitment to continuous employment for a period of 24 months in the position of CEO of the Company, and shall further be entitled to a retirement bonus in the sum of three (base) salaries, provided that the total bonuses granted to him in respect of the year of his retirement (including the retirement bonus, the annual bonus, and any special bonus) shall not exceed the cap set forth in Section 7.2.1 of the compensation policy.

Mr. Halevy shall be entitled to ancillary benefits, and, *inter alia*, the Company shall make standard contributions on his behalf to a manages' insurance policy and/or pension fund of Mr. Halevy's choice, as customary in the Company. In addition, Mr. Halevy shall be entitled to insurance coverage under the Group's D&O insurance policy, as approved from time to time, and to an indemnification undertaking in the form customary for the Company's other office holders, all in accordance with the compensation policy.



Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested parties and related parties: (Cont.)

(4) Transactions with interested parties (Cont.)

(c) Agreement for employment of the Company's CEO (Cont.)

The Company shall place at Mr. Halevy's disposal a new executive vehicle with a purchase value of up to ILS 600,000 plus VAT, to be used for the performance of his duties with the Company, including travel to and from work. Subject to the provisions of any applicable law, the expenses associated with the maintenance and use of the vehicle, other than fines or traffic violations, shall be borne and paid by the Company. The Company will gross up the applicable tax in respect to the value of use of the vehicle. Should Mr. Halevy elect not to receive such company vehicle, he shall be entitled to reimbursement of private vehicle maintenance expenses in the amount of ILS 12,500, and the Company shall continue to bear the tax gross-up in respect thereof. In addition, Mr. Halevy shall be entitled to reimbursement of the annual vehicle license fee and insurance expenses for the vehicle registered in his name, in accordance with the rates customary in the Company.

Mr. Halevy and his family members shall be entitled to benefits in respect of receiving airline tickets (service, vacation, and/or discounted) during his term of employment with the Company. Subject to the incoming CEO completing 3 years in office as the Company's CEO, he shall be entitled to such flight benefits also following his retirement.

Mr. Halevy shall be entitled to Top status in EL AL's Frequent Flyer Program during his tenure as CEO. In addition, he shall be entitled to 22 work-days of annual leave, a clothing allowance, and such additional benefits as he may be entitled to pursuant to the Company's compensation policy and procedures, as in effect from time to time.

Either party (Mr. Halevy or the Company) may terminate the agreement for any reason upon six months' advance written notice (the "Notice Period"). Upon delivery of such notice by either party, the Notice Period shall commence, unless otherwise agreed by the parties that such Notice Period shall commence at a later date (subject to the Company's right to terminate Mr. Halevy's employment immediately and without advance notice in the event of dismissal under circumstances in which severance pay may be denied in accordance with applicable Israeli law and/or in special circumstances).

For further details regarding the securities granted to the Company's officers, including to the Chairman of the Board and to Mr. Halevy, see Note 18.H to the financial statements.

(d) Approval of amendments to the FF Company's agreements

On 22 July 2024 and 25 July 2024, the Company's Audit and Compensation Committee and Board, respectively, approved the amendment to the Original Loan Agreement with Phoenix, a company which is a related party to the Company, in which the Company's outgoing CEO has a personal interest, in the FF Company.

On 29 December 2024 and 30 December 2024, the Company's Audit and Compensation Committee and Board (in lieu of the decision of July 2024), respectively, approved an amendment to the Original Loan Agreement with Phoenix and the receipt of a discount which the FF Company will grant the Company in connection with accumulation of FFP points under the reservists campaign. This is an intracompany settlement between the Company and the FFP, and the amount of such intercompany discount is not material to the Company. For further details regarding the addendum to the Original Loan Agreement, see Note 14.C above.

On 29 October 2025, Phoenix gave notice of its intention to exercise the remainder of the Option to purchase 5.1% of the FF Company's shares, subject to receipt of regulatory approvals. Shortly before approval of the report, Phoenix reported that all of the required regulatory approvals had been obtained and it exercised its Option to purchase shares of the FF Company at a rate of 5.1% of the issued and paid-up share capital of the FF Company. As of shortly before release of the report, Phoenix Finance Ltd. holds, directly and indirectly, a total rate of 25% of the issued and paid-up share capital of the FF Company. For further details, see Note 14 to the financial statements.



Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested parties and related parties: (Cont.)

(5) Cancellation of salary cuts for the officer

On 3 April 2023 and on 4 April 2023, the Company's Audit and Compensation Committee and Board, respectively, approved the cancellation of their resolution of March 2020 (the "**Previous Resolution**") concerning cuts at the rate of 20% of the base salary of the CEO and VPs (including the internal auditor) who held office at such time, of the management fees for the Chairman of the Board and of the remuneration for the Board members who are not outside or independent directors (for meetings as well as the annual remuneration), until cancellation of all of the salary cuts by the Board, thus ending the cuts for all of the officers as specified in the Previous Resolution, in view of recovery of the aviation industry generally and the Company specifically, from the Covid crisis.

D. Expenses for compensation of key executives (*):

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Short-term benefits	13.8	11.7	8.3
Post-employment benefits	1.2	0.3	0.3
Share-based payment	3.3	2.3	2.5
Total	18.3	14.3	11.1

(*) Includes compensation for the Chairman of the Board and the CEO.

E. Benefits granted to interested parties:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
CEO's salary (*)	2.7	1.8	1.7
No. of persons to whom the benefit applies	1	1	1
Services of Chairs employed by the Company (*)	1.9	1.5	1.1
No. of persons to whom the benefit applies	1	1	1
Remuneration for directors who are not employed by the Company	1.0	(**) 0.6	0.7
No. of persons to whom the benefit applies (excluding the Chairman)	12	(**) 13	11

(*) The amount includes the value of a share-based payment benefit.

(**) The figure includes directors who held office during the year and whose term of office ended before the end of the year.



Note 21 – Transactions with Interested and Related Parties (Cont.)

F. Balances vis-à-vis interested and related parties:

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Other related parties / interested parties:		
Under current assets:		
Trade receivables:		
Controlling shareholders and other interested parties	0.7	0.3
Total highest other receivables in the account year	0.4	0.2
	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Under current liabilities:		
Interested party	0.2	0.1
Current liabilities for employee benefits:		
Interested party	0.2	0.1
Non-current liabilities for employee benefits:		
Interested party	0.6	0.2



Note 21 – Transactions with Interested and Related Parties (Cont.)

G. Transactions with interested and related parties (1):

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Interested / related parties:			
Revenues from interested and related parties:			
Flight tickets	2.1	1.9	2.1
Cargo transportation	3.7	-	-
Expenses for food, passenger service and other operating costs	0.2	0.2	0.2
Lease expenses:	-	0.1	(*) 8.4
IT and HQ expenses (2):	8.4	5.2	5.8

(1) These transactions are exclusive of compensation and benefits for interested parties and key executives as specified in Section A above.

(2) The IT and HQ expenses for 2025, 2024 and 2023 included expenses for D&O insurance in the sum of approx. USD 0.8 million, approx. USD 0.9 million and approx. USD 2.3 million, respectively.

(*) The figures include reference to the interested party TUS Airways, which during 2023 ceased to be an interested party.



EL AL



Chapter D

Separate Financial Statement as of
31 December 2025

EL AL Israel Airlines Ltd.

EL AL Israel Airlines Ltd.

Financial Data from the Consolidated Financial Statements
Attributed to the Company

As of 31 December 2025

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Special Report pursuant to Regulation 9C

Financial Data and Financial Information from the Consolidated Financial Statements Attributed to The Company

Below are the financial data and separate financial information attributed to the Company from the Group's consolidated financial statements as of 31 December 2025, published as part of the periodic reports ("**Consolidated Statements**"), presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The significant accounting policies applied in the presentation of these financial data are detailed in the relevant notes and in Note 2 to the Consolidated Statements.



To
The Shareholders of EL AL Israel Airlines Ltd

Dear Sir/Madam,

**Re: Independent Auditor's special report on Separate Financial Statement pursuant to
Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970**

We have audited the Separate Financial Statement, which is presented according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, of EL AL Israel Airlines Ltd. (the "**Company**") as of 31 December 2025 and for the year then ended (the "**Separate Financial Statement**").

In our opinion, the Separate Financial Statement has been prepared, in all material respects, in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The basis for the opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel. Our responsibilities under these standards are described in the Auditor's responsibilities for the audit of the Separate Financial Statement section. We are independent of the Company in accordance with the applicable laws in Israel regarding the independence and avoidance of conflicts of interest of auditors in Israel. We have also fulfilled our other ethical responsibilities in accordance with the Accountants Law, 5715-1955, and the regulations promulgated thereunder. We believe that the audit evidence we have obtained is adequate and sufficient to provide a basis for our opinion.

Special Attention

We would like to draw attention to Note 7 to the Separate Financial Statement as of 31 December 2025 regarding the exposure to the certification of class actions against the Company and the Company's exposure to such class actions. Our opinion includes no modification to the standard language in this regard.

Responsibilities of the Board of Directors and Management for the Separate Financial Information

The board of directors and management are responsible for the preparation and presentation of the Separate Financial Statement in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and for the internal control necessary, as determined by the board of directors and management, to enable the preparation of a Separate Financial Statement without material misstatement, whether due to fraud or error.

In preparing the Separate Financial Statement, the board of directors and management are responsible for assessing the Company's ability to continue as a going concern, to disclose, as required, matters related to going concern, and to apply the going concern basis of accounting in the Separate Financial Statement unless the board of directors and management intend to liquidate the Company or cease its operations, or have no realistic alternative but to do so.

Responsibilities of the Auditor for the audit of the Separate Financial Statement

Our objectives are to obtain reasonable assurance that the Separate Financial Statement is free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with generally accepted auditing standards in Israel will always detect a material misstatement when such exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Separate Financial Statement.



In an audit conducted in accordance with generally accepted auditing standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- Identify and assess the risks of material misstatement of the Separate Financial Statement, whether due to fraud or error, design and perform audit procedures responsive to such risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, deliberate misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of provision of an opinion on the effectiveness of the Company's internal control.
- Evaluate the adequacy of the accounting policies applied and the reasonableness of the accounting estimates and related disclosures made by the board of directors and management.
- Conclude on the adequacy of the board of directors' and management's use of the going concern basis of accounting and, based on the audit evidence we obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our special report to the related disclosures in the Separate Financial Statement or, if such disclosures are insufficient, to modify the language of our special report. Our conclusions are based on the audit evidence we obtained up to the date of our special report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Separate Financial Statement, including the disclosures, and whether the Separate Financial Statement has been prepared, in all material respects, in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

We communicate with the board of directors and management, among others, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control that the Auditor identifies during the audit.

Tel Aviv
24 February 2026

Kost Forer Gabbay & Kasierer
Certified Public Accountants



EL AL Israel Airlines Ltd.
Statement of Financial Position

<u>Assets</u>	<u>Additional Information</u>	<u>As of 31 December</u>	
		<u>2025</u>	<u>2024</u>
		<u>USD in millions</u>	<u>USD in millions</u>
Current assets			
Cash and cash equivalents	3	334.9	467.0
Short-term investments (*)	3	1,418.1	891.0
Trade receivables		269.1	294.1
Trade and other receivables (*)	6	122.8	83.6
Derivative financial instruments	4	9.0	12.6
Prepaid expenses		47.5	43.1
Inventory		20.7	20.1
Total current assets		<u>2,222.1</u>	<u>1,811.5</u>
Non-current assets			
Long-term deposits		107.9	149.2
Right-of-use of leased assets		478.6	559.0
Fixed and intangible assets		1,817.5	1,634.6
Derivative financial instruments	4	8.2	17.5
Loans and investments in investees	6	133.6	146.9
Total non-current assets		<u>2,545.9</u>	<u>2,507.1</u>
Total Assets		<u><u>4,768.1</u></u>	<u><u>4,318.6</u></u>

The accompanying additional information is an integral part of the financial information and Separate Financial Statements.



EL AL Israel Airlines Ltd.
Statement of Financial Position

	<u>Additional Information</u>	<u>As of 31 December</u>	
		<u>2025</u>	<u>2024</u>
<u>Liabilities and Capital</u>		<u>USD in millions</u>	<u>USD in millions</u>
Current liabilities			
Current maturities and short-term credit		118.3	146.6
Current maturities due to leases		106.4	120.2
Loan from the Controlling Shareholder		-	9.8
Trade payables	6	247.2	202.9
Trade and other payables	6	278.8	272.9
Deferred revenues		887.6	932.8
Provisions		63.6	13.4
Derivative financial instruments	4	37.6	1.8
Liabilities for employee benefits		238.3	219.3
Total current liabilities		<u>1,977.9</u>	<u>1,919.7</u>
Non-current liabilities			
Loans from financial institutions		524.7	621.7
Liabilities due to leases		490.2	574.7
Deferred revenues		178.3	196.1
Long-term other payables		135.2	138.6
Deferred tax liabilities		222.6	113.1
Derivative financial instruments	4	24.8	27.9
Investment in an investee	6	90.8	119.6
Liabilities for employee benefits		71.6	61.3
Total non-current liabilities		<u>1,738.3</u>	<u>1,853.0</u>
Total Liabilities		<u>3,716.1</u>	<u>3,772.7</u>
Equity			
Share capital		511.5	482.1
Premium and capital reserves		566.0	492.6
Retained losses		(25.5)	(428.8)
Total equity		<u>1,052.0</u>	<u>546.0</u>
Total Liabilities and Equity		<u>4,768.1</u>	<u>4,318.6</u>

Amikam Ben Zvi -
Chairman of the Board

Levy Halevy - CEO

Gil Feldman - CFO

Date of approval of the financial statements: BGA, 24 February 2026.

The accompanying additional information is an integral part of the financial information and Separate Financial Statements.



EL AL Israel Airlines Ltd.
Statement of Profit and Loss

	<u>Additional Information</u>	For the year ended 31 December		
		2025	2024	2023
		USD in millions	USD in millions	USD in millions
Revenues from Operations		3,175.8	3,192.8	2,320.6
<u>Operating expenses:</u>				
Fuel		545.3	569.4	537.0
Payroll expenses		800.0	691.0	533.1
Airport fees and services, and air navigation fees		328.3	305.7	274.0
Maintenance		125.1	100.8	72.0
Food, passenger service and other operating costs		276.2	242.3	185.8
Marketing and distribution expenses		191.1	189.1	139.9
Depreciation and amortization		270.7	264.4	247.6
Rentals		43.9	44.5	51.9
IT and headquarters expenses		124.2	113.7	91.3
Other expenses (revenues), net		48.7	4.3	(0.1)
Total operating expenses		<u>2,753.5</u>	<u>2,525.2</u>	<u>2,132.5</u>
Operating profit		422.3	667.6	188.1
Financing expenses (revenues), net		(15.2)	61.4	115.0
Company's share in profits of investees		<u>80.2</u>	<u>57.3</u>	<u>37.0</u>
Profit before taxes on income		517.7	663.5	110.1
Tax expenses (tax benefit)	5	<u>114.4</u>	<u>122.1</u>	<u>(2.5)</u>
Net profit for the year		<u>403.3</u>	<u>541.4</u>	<u>112.6</u>

The accompanying additional information is an integral part of the financial information and Separate Financial Statements.



EL AL Israel Airlines Ltd.
Statement of Comprehensive Income

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Profit for the year	403.3	541.4	112.6
Other comprehensive profit (loss):			
Amounts that will not be carried in the future to the profit or loss:			
Profit from remeasurements of a defined benefit plan, net of tax	(1.0)	0.6	2.2
The Company's share in other comprehensive income, net, attributable to the investees	0.1	0.1	1.0
Amounts that will be carried in the future to the profit or loss:			
Exchange rate differences from the translation of foreign operations	4.3	0.1	(0.2)
Loss from cash flow hedging, net of tax	(9.6)	(7.0)	(3.5)
Profit (loss) from cash flow hedging – time value, net of tax	(1.3)	0.4	(1.6)
Other comprehensive loss for the year	(7.5)	(5.8)	(2.1)
Total comprehensive income for the year	395.8	535.6	110.5

The accompanying additional information is an integral part of the financial information and Separate Financial Statements.



EL AL Israel Airlines Ltd.
Statement of Cash Flows

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Cash flows from Operating Activities			
Profit for the period	403.3	541.4	112.6
Adjustments required to present the cash flow from operating activities – Annex A	487.4	806.5	264.6
Cash derived from Operating Activities	<u>890.7</u>	<u>1,347.8</u>	<u>377.2</u>
Cash flows to Investing Activities			
Investment in financial assets, net	(154.4)	-	-
Purchases of fixed assets (including prepayments for aircraft and general engine overhauls)	(315.8)	(160.0)	(111.6)
Proceeds from the sale of fixed assets	2.1	1.3	0.9
Investment in intangible assets	(37.6)	(25.8)	(14.2)
Repayment of a loan given to a subsidiary	-	73.5	46.3
Loan given to a subsidiary	(25.1)	(18.2)	(5.3)
Change in deposits and others	(360.5)	(908.9)	(44.6)
Cash used for Investing Activities	<u>(891.3)</u>	<u>(1,038.2)</u>	<u>(128.5)</u>
Cash flows used for Financing Activities			
Proceeds from the issuance of warrants	-	135.3	-
Exercise of warrants to shares	113.5	58.1	20.5
Receipt of loans from banking corporations	-	-	135.1
Repayment of a loan from the Controlling Shareholder	(9.8)	(60.2)	-
Payment for loan issuance costs	-	-	(9.1)
Repayment of loans from financial institutions	(132.5)	(135.2)	(199.8)
Prepayment of loans from financial institutions	-	(35.6)	-
Repayment of a loan from a subsidiary	-	(2.0)	-
Repayment of lease liabilities	(117.3)	(122.2)	(115.1)
Repayment of bonds	-	(2.7)	-
Increase (decrease) in short-term credit, net	(0.5)	0.4	(3.9)
Cash derived from used for Financing Activities	<u>(146.6)</u>	<u>(164.0)</u>	<u>(172.3)</u>
Effect of exchange rate changes on cash balances held in foreign currencies	<u>15.1</u>	<u>(9.8)</u>	<u>2.9</u>
Increase (decrease) in cash and cash equivalents	(132.1)	135.8	79.3
Cash and cash equivalents at the beginning of the period	<u>467.0</u>	<u>331.2</u>	<u>251.9</u>
Cash and cash equivalents at the end of the period	<u>334.9</u>	<u>467.0</u>	<u>331.2</u>

The accompanying additional information is an integral part of the financial information and
Separate Financial Statements.



EL AL Israel Airlines Ltd.
Statement of Cash Flows

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Annex A - Adjustments Required for Presenting Cash Flows from Operating Activities:			
Non-cash flow revenues and expenses:			
Depreciation (including write-off of devices, obsolete components and use of consumable)	174.9	164.1	149.2
Depreciation of right-of-use assets for leased properties	95.8	100.3	98.4
Income tax revenues (expenses)	113.6	122.1	(2.5)
Increase in liabilities for employee benefits	27.9	77.7	25.5
Reversal of impairment	-	(15.0)	-
Company's share in profit (loss) of investees	(80.3)	(57.4)	(37.0)
Increase (decrease) in provision	50.2	5.3	(3.7)
Adjustments for financing expenses	7.1	32.7	27.3
Other changes	(2.7)	7.9	2.1
	<u>386.5</u>	<u>437.7</u>	<u>259.4</u>
Changes in asset and liability items:			
Decrease (increase) in trade and other receivables	1.2	(40.9)	(76.3)
Increase (decrease) in deferred revenue	(87.8)	337.7	(5.7)
Increase in trade and other payables	189.9	96.7	87.5
Decrease (increase) in prepaid expenses	(1.9)	(19.3)	0.2
Increase in inventory	(0.5)	(5.4)	(0.5)
	<u>100.8</u>	<u>368.7</u>	<u>5.2</u>
	<u>487.4</u>	<u>806.5</u>	<u>264.6</u>
Annex B - Interest Payments, Interest Receipts and Taxes Paid and Classified in Cash Flows from Operating Activities (1):			
Interest payments (2)	<u>55.2</u>	<u>72.5</u>	<u>80.9</u>
Interest proceeds	<u>69.0</u>	<u>28.6</u>	<u>21.0</u>
Taxes paid	<u>1.0</u>	<u>0.7</u>	<u>0.5</u>

Material non-cash activities

On 31 December 2025, the subsidiary Sundor, distributed a dividend to the Company in the amount of USD 100 million. The dividend distribution was effected through offsetting the debit and credit balances between the Company and the subsidiary.

¹ The Company classifies cash flows from interest received thereby, as well as cash flows from interest paid, as cash flows that are used for or derived from operating activities.

² Including notional interest for lease liabilities in accordance with IFRS 16 "Leases".



The accompanying additional information is an integral part of the financial information and Separate Financial Statements.

1- General

The separate financial statement of EL AL Israel Airlines Ltd (the "**Company**") has been prepared in accordance with the provisions of Regulation 9C and the 10th Addendum to the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

2- Significant Accounting Policies

Accounting Policy

The Company's separate financial statement is prepared according to the accounting policy specified in the relevant notes and in Note 2 to the Company's consolidated financial statements except for the amounts of the assets, liabilities, revenues, expenses and cash flows in respect of investees, as specified below:

- (a) The assets and liabilities are presented at their value in the Consolidated Statements attributed to the Company itself as a parent company, except for investments in investees.
- (b) Investments in investees are presented as the net sum amount of the total assets net of the total liabilities which present in the Company's Consolidated Statements financial information regarding the investees.
- (c) The revenues and expenses amounts reflect the revenues and expenses included in the Consolidated Statements attributed to the Company itself as a parent company, segmented between profit or loss and other comprehensive income, except for amounts of revenues and expenses in respect of investees.
- (d) The Company's share in the results of investees is presented as the net amount of the total revenues net of the total expenses presenting in the Consolidated Statements of the Company business results in respect of investees, in segmentation between profit or loss and other comprehensive income .
- (e) The cash flow amounts reflect the amounts included in the Consolidated Statements attributed to the Company itself as a parent company, except for amounts of the cash flows in respect of investees.
- (f) Loans given and/or received from investees are presented at the amount attributed to the Company itself as a parent company.
- (g) Balances, revenues and expenses in respect of transactions with investees which were written off within the Consolidated Statements, are measured and presented within the relevant clauses in the information on the financial position and the profit or loss or the comprehensive income, in the same manner that such transactions would have been measured and presented had they been performed vis-à-vis third parties. Profits (losses) in respect of such transactions until the level that they are not recognized in the Company's Consolidated Statements, which were deferred, are presented net of (as an addition) of the items of the Company's share in the profits (losses) of investees and investments in investees so that the Company's separate profit (loss) is identical to the Company's consolidated profit (loss) attributed to the owners of the parent company.



3- Cash and Cash Equivalents and Other Liquidity Sources

Cash and cash equivalents include deposits that can be withdrawn immediately, as well as time deposits that have no restrictions or designated purposes for their use, and whose maturity date at the time of investment does not exceed three months. Deposits with a maturity date at the time of investment that exceeds three months but does not exceed one year are classified under the 'short-term deposits' item.

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Cash and reserves in banks	100.0	127.4
Cash equivalents	234.8	339.6
Total Cash and Cash Equivalents	334.9	467.0

	As of 31 December	
	2025	2024
	USD in millions	USD in millions
Short-term investments:		
Deposits at banks for a period above 3 months and money market funds	1,257.1	891.0
<u>Investments in financial assets</u>	-	-
Investment in shares	101.9	-
Investment in bonds	50.7	-
Investment in trust funds	8.5	-
Total investments in financial assets	161.0	891.0
Total shore-term investments	1,418.1	891.0

In addition to the cash and cash equivalents balances mentioned above, as of 31 December 2025, and as detailed in the table above, the Company had approx. USD 1,257.1 million invested in short-term deposits and money market funds, which are not classified as cash and cash equivalents under the accounting principles. However, they are relatively liquid balances that can be utilized by the Company within a relatively short timeframe. The Company also has approx. USD 161.0 million invested in financial assets, as detailed above, and approx. USD 25.0 million invested in bank deposits with maturities exceeding one year (in banks).

In view thereof, the Company's total liquid resources as of 31 December 2025 are approx. USD 1,778.0 million.



4- Financial Assets and Liabilities

(1) Financial assets and liabilities that constitute derivative financial instruments attributed to the Company:

a. Financial risk management and its source:

See Note 19.A to the consolidated financial statements.

b. Accounting policy:

See Note 19.B to the consolidated financial statements.

c. Composition of derivative financial instruments in the Statement of Financial Position:

For details regarding financial derivatives, see Note 19.C to the consolidated financial statements. Additionally, the Company has an embedded derivative which is included in the agreements between the Company and the FF Company, under which the Company will compensate the FF Company if the exchange rate of the ILS against the USD exceeds ILS 4, and the FF Company will compensate the Company if the exchange rate falls below ILS 2. The derivative is measured as a liability in the Company's Separate Financial Statement. For the purpose of measuring the option, the Group has engaged an external expert. The option is measured according to the B&S (Black and Scholes) model in accordance with Level 3 of the fair value hierarchy. As of 31 December 2025, the option is measured as a non-current liability in the Company's Separate Financial Statement at approx. USD 3.3 million (as of 31 December 2024: USD 12.7 million).

d. Liquidity risk related to derivatives:

See Note 19.H to the consolidated financial statements. Of note, according to the Company's estimations, no cash flow is expected in respect of the agreement specified in Section C above for the embedded derivative included in the agreements between the Company and the FF Company.



4- Financial Assets and Liabilities (Cont.)

(2) Financial liabilities that do not constitute derivative financial instruments attributed to the Company:

Liquidity risk attributed to the Company:

	Y2026	Y2027	Y2028	Y2029	Y2030 forth	Total
	USD in millions					
Current repayments of loan reserve	97	94	138	186	134	648
Current principal payments due to lease	107	100	102	96	192	597
Total current repayments	204	194	240	282	326	1,245
Payments that will be included in the income statement and therefore be included in cash flows from operating activities:						
Interest payments on loans (1)	24	19	14	9	6	72
Interest payments on lease	28	23	19	14	35	119
Total interest payments	52	42	33	23	41	191
Total payments (2)	256	236	273	305	367	1,437

- (1) Interest payments on loans do not include interest hedging payments. For information regarding liquidity risk related to derivative financial instruments, including interest hedging, see Note 19.H to the consolidated financial statements.
- (2) The amounts presented in the above table do not include amounts to be paid by the Company in respect of the taking out of future loans or future leases, *inter alia* in connection with the aircraft expected to be purchased or leased by the Company, as stated in Note 10 to the consolidated financial statements. It is noted that, in this context, the above table also does not include the expected repayments for the anticipated loan relating to the 17th aircraft, as detailed in Note 14.E(1) to the consolidated financial statements.
- (3) The loan repayments in 2028 and 2029 include repayment of a balloon component existing in part of the loan agreements in the amounts of approx. USD 53 million and approx. USD 115 million, respectively. Some of the repayment amounts stated in 2030 forth also include balloon balances. The Company will consider refinancing and rescheduling these balloon components shortly before the maturity date.

The Company's sources for repayment of these liabilities are the Company's current cash flows from its current business operations. Additionally, the Company has high liquidity balances, as detailed in the Statement of Financial Position, which are expected to assist it in meeting both its present and future obligations related to the procurement of aircraft as noted.



5- Income Taxes

Deferred taxes are recognized in respect of temporary differences between the values of assets and liabilities for tax purposes and their values in the financial statements. Deferred tax balances (assets or liabilities) are calculated in accordance with the tax rates that are expected to apply at the time that they are realized, pursuant to the tax laws whose legislation has been effectively completed as of the date of the report, as detailed below.

Also, the calculation of the deferred taxes does not take into account the taxes that would have applied in the event of liquidation of the investments in investees, since such deferred taxes are under the control of the Group and are not expected to reverse in the foreseeable future.

a. Deferred tax asset (liability) balances:

	Balance as of 1 January 2025	Recognized in profit and loss	Recognized in other comprehensive income	Balance as of 31 December 2025
	USD in millions	USD in millions	USD in millions	USD in millions
Timing differences:				
Fixed assets	(308.3)	1.8	-	(306.5)
Derivative financial instruments	0.9	(2.1)	3.6	2.6
Liabilities for employee benefits	27.1	6.6	0.2	33.9
Costs due to issuance of shares	0.4	(0.2)	-	0.2
	(280.0)	6.1	3.8	(269.8)
Losses for tax purposes	166.3	(119.1)	-	47.5
Total	(113.1)	(113.0)	3.8	(222.3)

	Balance as of 1 January 2024	Recognized in profit and loss	Recognized in other comprehensive income	Recognized in capital	Balance as of 31 December 2024
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Timing differences:					
Fixed assets	(302.6)	(5.7)	-	-	(308.3)
Derivative financial instruments	(5.0)	3.1	2.8	-	0.9
Provisions and doubtful debts	2.7	(2.7)	-	-	-
Liabilities for employee benefits	25.2	1.0	0.9	-	27.1
Costs due to issuance of shares	-	(0.1)	-	0.5	0.4
	(279.6)	(4.4)	3.7	0.5	(280.0)
Losses for tax purposes	284.1	(117.8)	-	-	166.3
Total	4.5	(122.1)	3.7	0.5	(113.1)

5- Income Taxes (Cont.)

b. Income tax expenses (benefit) recognized in profit and loss:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Deferred taxes	114.4	122.1	(2.5)
Tax expenses (benefit)	114.4	122.1	(2.5)

c. The effective tax:

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Profit before income taxes and before the Company's share in the profit of investees	436.5	606.1	73.1
Statutory tax rate	23%	23%	23%
Tax expenses at statutory tax rate	100.4	139.4	16.8
Addition tax due to:			
Non-deductible expenses	10.3	(3.2)	3.4
Recognition of deferred tax assets not recognized in previous years	(7.9)	(28.0)	(23.0)
Tax expenses due to investees that are taxed with the Company	11.6	13.9	-
Total tax expenses (benefit) in the Income Statement	114.4	122.1	(2.5)

d. The tax laws applicable to the Company:

- (1) According to the Income Tax Regulations (Rules Regarding the Keeping of Books of Foreign-Investment Companies and Certain Partnerships and Determination of Their Taxable Income), 5746-1986, the results of the Company and of some of its subsidiaries are measured, for tax purposes, on a USD basis. Some of the consolidated companies are taxed together with the Company.
- (2) The Company is an industrial company as defined in the Encouragement of Industry (Taxes) Law, 5729-1969, and is therefore entitled, according to the Income Tax Regulations – Depreciation, 1941, to annual depreciation of 30% for such asset items, and annual depreciation of 40% for engines.

e. Final assessments:

The Company has tax assessments considered final up to and including the 2020 tax year.



6- Loans, Balances, and Significant Agreements with Investees

1. Balances with investees

The Composition:

	31 December	
	2025	2024
	USD in millions	USD in millions
Other receivables:		
Short-term trade and other receivables	35.6	7.6
Capital note to TAMAM (see 3.6(1))	30.9	27.0
Other payables:		
Liabilities to suppliers and service providers	12.0	24.5
Trade and other payables	51.8	96.1

2. Transactions with investees

	For the year ended 31 December		
	2025	2024	2023
	USD in millions	USD in millions	USD in millions
Decrease in revenues	(39.3)	(47.4)	(15.5)
Operating expenses	73.4	65.1	52.6
Net financing revenues	(9.4)	(8.4)	(7.3)

3. Additional details

(1) TAMAM Aircraft Food Industries (Ben Gurion Airport) Ltd. ("TAMAM")

For construction of a TAMAM factory as specified in Note 10.I to the consolidated financial statements, the Company extended a loan to TAMAM, which loan was converted to a capital note in 2023. The capital note has no stated maturity and, in any case, will not be repaid to the Company until the expiration of at least five years from the date of issuance thereof, and bears no interest. In 2024, additional capital notes were issued under similar terms such that the balance of capital notes as of 31 December 2025 is approx. USD 30.9 million. In 2025, the Company granted a loan in the amount of approx. USD 25.1 million which was included in the short-term current negative balance.

(2) Details about intercompany revenues and expenses:

The Company's revenues from investees mostly consist of accrual of frequent flyer program points (revenue decreasing), counterbalanced by revenues from the redemption of flight points (point redemption is recognized as revenue for the Company). Operating expenses mostly consist of expenses on food from TAMAM and Borenstein.

7- Provisions and contingent liabilities

For more details regarding contingent liabilities and lawsuits against the Company, see Note 16 to the consolidated financial statements.



24 February 2026

To

The Board of directors of El Al Israel Airlines Ltd. (the "Company")

P.O.B 41, Ben Gurion Airport

Re: Letter of Consent in relation to the August 2023 Shelf Prospectus of El Al Israel Airlines Ltd.

We hereby inform you that we agree to the inclusion (inter alia, by way of reference) of our reports as specified below based on the shelf prospectus released in August 2023:

1. The independent auditor's report of 24 February 2026 on the consolidated financial statements of the Company as of 31 December 2025, and for the year then ended.
2. An independent auditor's special report of 24 February 2026 on separate financial information of the Company according to Section 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 as of 31 December 2025, and for the year then ended.
3. The independent auditor's report of 24 February 2026 on the audit of components of internal control over financial reporting of the Company as of 31 December 2025.

Sincerely,

Kost Forer Gabbay & Kasierer
Accountants

EL AL



Chapter E

Additional Details on the Corporation

EL AL Israel Airlines Ltd.

Additional Details on the Corporation

Company name:	EL AL Israel Airlines Ltd.
Company no. with Registrar:	Public Company: 520017146
Address:	Ben Gurion Airport 7015001
Report Date:	31 December 2025
Shortly Before Approval of the Report:	23 February 2026
Report Period:	2025
Financial Statements:	The consolidated financial statements of the Company for the year ended 31 December 2025, unless stated otherwise

Regulation 10A: Summary of the Statements of Comprehensive Income of the Corporation by Quarters

Below is a summary of quarterly income statements for 2025 (\$ in millions):*

	Quarter 10-12/2025	Quarter 7-9/2025	Quarter 4-6/2025	Quarter 1-3/2025
Operating income	851.7	1,074.0	776.6	773.7
Operating expenses:				
Fuel	143.1	170.2	134.1	137.3
Payroll expenses	226.1	239.3	208.8	180.9
Airport fees and services and aerial passage payments	87.6	106.9	86.6	83.5
Maintenance	39.2	30.7	31.3	27.2
Food, customer service and additional operating costs	65.1	69.6	64.5	58.6
Marketing and distribution expenses	55.6	55.0	42.4	44.9
Depreciation and amortization	70.5	69.0	67.6	65.6
Leases	21.1	32.2	24.3	22.1
IT and expenses of HQ	36.2	45.5	30.2	28.3
Other (income), net	36.2	(5.2)	(5.2)	(1.3)
Total operating expenses	780.7	813.2	684.5	647.1
Operating profit	71.0	260.8	92.1	126.6
Financing (income) expenses, net	(2.5)	(4.3)	3.9	6.4
Profit before taxes on the income	73.5	265.1	88.2	120.1
Tax expense	27.2	62.5	22.2	24.6
Net profit for the period	46.2	202.6	65.9	95.6
Loss due to remeasurements of defined benefit plan, net of tax	(0.3)	(0.1)	-	(0.4)
Rate differentials due to translation of foreign operations	1.3	0.6	3.4	(1.0)
Loss due to cash flow hedging, net of tax	(0.7)	(0.7)	(2.1)	(6.1)
Profit (loss) due to cash flow hedging – time value, net of tax	(2.1)	0.7	(0.1)	0.2
Total comprehensive profit for the period	44.4	203.1	67.1	88.3

*For further details see the consolidated statements on profit and loss and comprehensive income, as specified in the "Consolidated Financial Statements" chapter.



Regulation 10C: Use of Securities Proceeds

Starting from 1 January 2025, until the expiration date of the Company's (Series 2) Warrants, on 2 February 2025, the Company received approx. \$25.2 million from the exercise of (Series 2) Warrants of the Company. In the report year, the amount of approx. \$88.7 million was received by the Company from the exercise of the Company's (Series 3) Warrants. This amount was used by the Company to fund its current operations. Starting from 1 January 2026 until Shortly Before Approval of the Report, the Company received approx. \$19.6 million from the exercise of the Company's (Series 3) Warrants.

Regulation 11: List of Investments in Subsidiaries and Affiliates

Below is a list of the Company's investments in the Report Period in each of the active subsidiaries and the affiliates thereof (\$ in millions):

Company Name	Class of convertible shares/ securities	Number of held shares/ held convertible securities	Total par value of the issued shares	Par value of the held shares	Rate in % of the issued share capital, voting power and authority to appoint directors	The value thereof in the standalone financial statement of the corporation within its meaning in Regulation 9C	Portion of the book value as of 31 December 2025	Loans to investees as of 31 December 2025
Sun d'Or International Airlines Ltd. ("Sundor")	Ordinary, of ILS 0.001	5,000	ILS 5	ILS 5	100	44.9	44.9	
Superstar Holidays Limited ¹ ("Superstar")	Ordinary, of £1	50,000	£50,000	£50,000	100	-	-	-
Tamam Aircraft Food Industries (Ben Gurion Airport) Ltd. ("TAMAM")	Ordinary, of ILS 1	1,207	ILS 1,207	ILS 1,207	100	37.4	37.4	
Borenstein Caterers Inc. ("Borenstein")	Ordinary (no par value)	90	-	-	100	19.1	19.1	
Cockpit Innovation Ltd. ("Cockpit") ²	Ordinary, of ILS 0.01	10,000	ILS 100	ILS 100	80.9	2.8	2.8	
ELAL Israel Airlines Gulf FZCO ³	Ordinary shares				100	-	-	

¹ Superstar is under dissolution proceedings.

² ~10.2% of Cockpit's shares were allotted to Gate Gourmet Switzerland GmbH ("Gate Gourmet"), in consideration for Gate Gourmet's investment in Cockpit. As of Shortly Before Approval of the Report, the Company holds 80.9% of the shares of Cockpit and a partnership owned by Boeing and Gate Gourmet hold 8.9% and 10.2%, respectively.

³ FZCO in under dissolution proceedings.



Company Name	Class of convertible shares/ securities	Number of held shares/ held convertible securities	Total par value of the issued shares	Par value of the held shares	Rate in % of the issued share capital, voting power and authority to appoint directors	The value thereof in the standalone financial statement of the corporation within its meaning in Regulation 9C	Portion of the book value as of 31 December 2025	Loans to investees as of 31 December 2025
Air Consolidators Israel Ltd. ("ACI") ⁴	Founding, of ILS 0.01	-	ILS 1.1					
	Ordinary, of ILS 0.1	-	ILS 11					
	Ordinary B, of ILS 0.1	110	ILS 11	ILS 11	50	-	-	
	Ordinary C, of ILS 1	-	ILS 10	-				
EL AL Frequent Flyer Ltd. ("FF Company") ⁵	Ordinary, of ILS 0.01	75,000	ILS 1,000	ILS 750	75%	(61.6)	(61.6)	

Regulation 12: Changes in Investments in Subsidiaries and Affiliates in the Report Year

For details on the Company's investments in subsidiaries and affiliates, see chapter D on "Separate Financial Statements".

⁴ The ordinary shares held by the Company give it the right to participate and vote in ACI's general meetings and appoint one half of the board members thereof, without the right to receive profits.

⁵ As of Shortly Before Approval of the Report, the Company holds 75% of the shares of EL AL Frequent Flyer Ltd. and Phoenix Financial Ltd. holds approx. 25% of the shares. As of 31 December 2025, the Company held 80.1% of the shares of EL AL Frequent Flyer Ltd. For additional details, see Note 14C to the Financial Statements.



Regulation 13: Comprehensive Profit (Loss) of Subsidiaries and Affiliates and Income Therefrom as of the Date of the Statement of Financial Position (\$ in millions)

Company name	Profit (loss) for the year	Other comprehensive income (loss) for the year	Total comprehensive income	Dividend received	Dividend received after the date of the Statement of Financial Position	Interest received	Management fees received	Management fees received after the date of the Statement of Financial Position
Sundor	49.8	-	49.8	-	-	-	-	-
Superstar	-	-	-	-	-	-	-	-
Borenstein	0.9	-	0.9	-	-	-	0.1	-
TAMAM	1.8	0.1	1.9	-	-	-	-	-
Katit	-	-	-	-	-	-	-	-
Cockpit	(1.4)	-	(1.4)	-	-	-	-	-
EL AL Frequent Flyer Ltd.*	52.5	-	52.5	-	-	-	-	-
EL AL Israel Airlines Gulf FZCO	(0.2)	-	(0.2)	-	-	-	-	-
Air Consolidators Israel	0.5	-	0.5	-	-	-	-	-

* The profit and loss for EL AL Frequent Flyer Ltd. includes amortization of intangible assets. See the introduction of the Board of Directors' Report for further details.

Regulation 20: Trade on the Stock Exchange

Below are details on trading halts that occurred in the Company's securities in 2025:

In the reporting period, there were no trading halts.

Regulation 21: Compensation for Senior Officers and Interested Parties as Recognized in the Financial Statements for the Report Year

Below are details on the compensation for the five highest paid senior officers of the company or a subsidiary, paid either by the Company or by another, as recognized in the Financial Statements for the report year:

Name and title	Position Percentage	Rate of holding of the Company's capital	Salary (*)	Bonuses recognized in 2025	Share-based Payment (**)	Other	Total as recognized for 2025 (ILS)
Dina Ben Tal Ganancia, Company's Outgoing CEO	100%	-	2,828,372	3,537,264	165,944	2,009,104	8,540,684
Amikam Ben Zvi, Chairman of the Board	90%	0.02%	2,532,437	2,854,296	562,874	-	5,949,607



Captain Hovav Ben David, VP Flight Operations	100%	0.03%	1,716,242	1,356,083	1,470,767	-	4,543,092
Shlomo Natan Zafrany, VP Commerce and Sales	100%	0.03%	1,585,457	1,396,070	1,521,258	-	4,502,785
Limor Bouzaglo, VP Human Resources and Administration	100%	0.03%	1,632,555	1,283,496	1,521,258	-	4,437,309

(*) Compensation due to "salary" in the table above is in terms of cost for the Company and includes related benefits, such as a vehicle (or vehicle equivalents), the expenses entailed by use and maintenance of the vehicle (including gross-up), social benefits, actuarial provisions due to termination of employment relations, benefits and entitlement to airline tickets (including gross-up according to the standard conditions for Company employees), telephone, mobile telephone, days of leave, sick and recuperation pay, clothing allowance, managers' insurance/pension and study fund and any and all income attributed to the salary due to a component granted to the employee.

(**) The value of the benefit due to the securities issued to the Company's officers was calculated according to an economic model, as specified in Note 18 to the Financial Statements.

Dina Ben Tal Ganancia

Ms. Dina Ben Tal Ganancia held office as the Company's Chief Executive Officer from 19 May 2022 until 31 December 2025 ("**Company's Outgoing CEO**"). The terms of office and employment of the Company's Outgoing CEO, including terms of retirement, were approved by the meetings of the Company's shareholders held on 19 July 2022 and 26 January 2025. For additional details, see notice of meeting reports from 16 June 2022 and 15 January 2025, respectively (Ref: 2022-01-074926 and 2025-01-004610).

In accordance with the approval of the Company's shareholders meeting of 26 January 2025, as aforesaid, the compensation under item "Salary" in the table above includes a (one-time) supplementation for 3 additional months for the advance notice period upon retirement (over and above the 3-month advance notice for which a provision was already made). Regarding item "Bonuses recognized in 2025" in the table above: the amount includes, *inter alia*, payment of a special bonus in the amount of 4 monthly salaries, which was paid to the Company's Outgoing CEO in 2025 in respect of 2024, and for which no provision was recorded in 2024 in light of the approval of the Company's shareholders' meeting in January 2025. Regarding item "Other" in the table above: the amount includes provisions due to end of office including bonuses in respect of 2026, subject to meeting the threshold conditions as provided in her employment agreement.

For additional details regarding the terms of office and employment of the Company's Outgoing CEO, including share-based compensation, see Regulation 29(c) below, and Note 18 and Note 21 to the Company's Financial Statements.

Amikam Ben Zvi

Mr. Amikam Ben Zvi holds office as the Company's Chairman since 5 October 2021. In accordance with the approval of the Company's shareholders meeting of 31 December 2025, regarding updating the terms of office and employment of the Company's Chairman of the Board, Mr. Amikam Ben Zvi, the compensation under item "Salary" in the table above includes a (one-time) supplementation for 3 additional months for the advance notice period upon retirement (over and above the 3-month advance notice for which a provision was already made). Regarding item "Bonuses recognized in 2025" in the table above: the amount includes, *inter alia*, payment of a special bonus in the amount of 4 monthly salaries, which was paid to Mr. Ben Zvi in 2025 in respect of 2024, and for which no provision was recorded in 2024 in light of the approval of the Company's shareholders' meeting in January 2025.



For additional details regarding the terms of office and employment of the Chairman of the Board, including share-based compensation, see Regulation 29(c) below, and Note 18 and Note 21 to the Company's Financial Statements.

Hovav Ben David

Mr. Hovav Ben David holds office as VP Flight Operations since 15 May 2022. Regarding item "Bonuses recognized in 2025" in the table above: the amount in the table above includes, *inter alia*, a (one-time) supplementation payment of a special bonus in the amount of 3 monthly salaries, which was paid to Mr. Ben David in 2025 in respect of 2024, and for which no provision was recorded in 2024 in light of the approval of the Company's shareholders' meeting in January 2025, and includes the proportional portion of a retention bonus. For additional details, including share-based compensation, see Note 18 and Note 21 to the Company's Financial Statements.

Shlomo Natan Zafrany

Mr. Shlomo Natan Zafrany holds office as VP Commerce and Sales since 1 September 2022. Regarding item "Bonuses recognized in 2025" in the table above: the amount in the table above includes, *inter alia*, a provision for a one-time supplementation for a special bonus in the amount of 3.5 monthly salaries, which was paid to Mr. Zafrany in 2025 in respect of 2024, and for which no provision was recorded in 2024 in light of the approval of the Company's shareholders' meeting in January 2025, and includes the proportional portion of a retention bonus. For additional details, including share-based compensation, see Note 18 and Note 21 to the Company's Financial Statements.

Limor Bouzaglo

Ms. Limor Bouzaglo holds office as VP of Human Resources and Administration since 1 June 2022. The compensation under "Salary" in the table above include, *inter alia*, a provision for a one-time supplementation for a severance pay fund for the period of her employment with the Company according to her last salary. Regarding item "Bonuses recognized in 2025" in the table above: the amount in the table above includes, *inter alia*, a provision for a one-time supplementation for a special bonus in the amount of 3 monthly salaries, which was paid to Ms. Bouzaglo in 2025 in respect of 2024, and for which no provision was recorded in 2024 in light of the approval of the Company's shareholders' meeting in January 2025. For additional details, including share-based compensation, see Note 18 and Note 21 to the Company's Financial Statements.

Additional Conditions for Vice Chairmen of the Board

For details on the terms of office and employment of the vice chairmen of the board, see Regulation 29(c) below and Note 21 to the Financial Statements.

Senior Officers' Compensation Policy

On 18 October 2022, the Company's shareholders' meeting approved the previous Company's compensation policy, as since amended on 13 March 2024 and 26 January 2025. On 31 December 2025, the Company's shareholders' meeting ("the Meeting") approved a compensation policy for office holders which will remain in effect for a period of three years from the date of the Meeting's approval. For additional details see Regulation 29(c) below and the (supplementary) notice of meeting report from 16 December 2025 (Ref.: 2025-01-100420).

Director's Remuneration

Total remuneration and related expenses received by the directors of the Company (other than the Chairman of the Board, Mr. Amikam Ben Zvi, and vice chairmen of the board, Mr. Kenneth Neal Rozenberg and Mr. Daryl Hagler) amounted in 2025 to approx. ILS 2.1 million (excluding the tax applicable to the directors). Total remuneration and related expenses received by the vice chairmen of the board, Mr. Kenneth Neal Rozenberg and Mr. Daryl Hagler, amounted in 2025 to approx. ILS 1.29 million. For details on the total remuneration and related expenses received by Chairman of the Board, Mr. Amikam Ben Zvi, see the table above, as well as Note 18 and Note 21 to the Company's Financial Statements.



Regulation 21A: Control of the Corporation

The Company's control holder, as of Shortly Before Approval of the Report, as defined in Section 1 of the Securities Law 5728-1968 (the "**Securities Law**") is Mr. Eli Zechariah Rozenberg, through Kanfei Nesharim Aviation Ltd. ("**Kanfei Nesharim**"), a private company incorporated in Israel and wholly and exclusively controlled and owned by him. On 28 October 2025, the Company's offices received consent from the holder of the special State share to Messrs. Kenneth Neal Rozenberg and Eli Zechariah Rozenberg (the "**Permit Holders**") purchasing and holding shares of the Company, directly and/or through Kanfei Nesharim and/or through Kanfei Nesharim Aviation Holdings, Registered Partnership ("**the Kanfei Nesharim Partnership**"), including at the rate conferring on them, or on one of them, and on Kanfei Nesharim or the Kanfei Nesharim Partnership, control of the Company. Such consent is in lieu of the consent given by the holder of the special State share to the Permit Holders in May 2021.

For details regarding the investment agreement between the Chairman of the Board, Mr. Amikam Ben Zvi, and Messrs. Kenneth Neil Rozenberg and Eli Zechariah Rozenberg, concerning investment in Kanfei Nesharim, see the immediate report published by the Company 2 November 2025 (Ref.: 2025-01-082583) and Note 21 to the Company's Financial Statements.

Regulation 22: Transactions with a Controlling Shareholder

For details, see Note 21 to the Financial Statements.

Regulation 24: Holdings of Interested Parties and Senior Officers as of Shortly Before Approval of the Report

For details on holdings of interested parties and senior officers Shortly Before Approval of the Report, see immediate report on the status of holdings of interested parties and senior officers released by the Company on 8 January 2026 (Ref.: 2026-01-004095). For details on changes to holdings of interested parties and officers after the aforesaid date, see immediate reports released by the Company on 9 January 2026, and 13 January 2026 (Ref.: 2026-01-004390, and 2026-01-005510).

Regulation 24A: Authorized Capital, Issued Capital and Convertible Securities of the Corporation Shortly Before Approval of the Report

Share class:	Ordinary share
Authorized capital:	1,875,000,000
Issued capital:	568,003,156*
Number of securities:	1087824
Share class:	Special State share
Authorized capital:	1
Issued capital:	1
Number of securities:	1087865
Convertible securities:	
Class:	EL AL OP 2**
Issued capital:	0
Number of securities:	1172683
Class:	EL AL OP 3
Issued capital:	21,996,550
Number of securities:	1205467



Class:	EL AL OP 11/22 (Options for employees)
Issued capital:	13,735,621
Number of securities:	1191014

* Including 363,152 treasury shares.

** On 2 February 2025, EL AL OP 2 expired. For additional details on the expiration of such series, see the immediate report released by the Company on 3 February 2025 (Ref.: 2025-01-008303).

Regulation 24B: Shareholders' Register

For the shareholders' register at the Company, Shortly Before Approval of the Report, see the Company's immediate report on the status of capital, conferral of rights to purchase shares and the securities registers of the corporation and the changes thereto released by the Company on 24 February 2026 (Ref.: 2026-01-017187).

Regulation 25A: Registered Address

Registered address:	POB 41, Ben Gurion Airport 7015001
Email:	Corporate@elal.co.il
Tel.:	03-9716720
Fax.:	03-9717334



Regulation 26: The Company's Directors as of Shortly Before Approval of the Report

Name ID no. DOB Citizenship	Address for service of process	Independent director / outside director Board committee membership	Are they an employee of the Company, a subsidiary, an associate thereof or an interested party thereof	Date of commencement of office as a director	Education and occupation in the past five years List of corporations of which they hold office as a director	Are they a family member of another interested party of the Company	Has accounting and financial expertise or professional qualifications
Amikam Ben Zvi Chairman of the Company's Board 50213362 8 August 1950 Israeli	21 Ha'avoda, Ra'anana	Security Committee (Chair), Executive Committee (Chair), Risk Management Committee, Safety Committee	Holds office as Chairman of the Board of TAMAM and as Chairman of the FF Company	20 October 2020	<u>Academic education:</u> Accountant. BA in Economics and Accounting, Bar Ilan University <u>Business experience in the past five years:</u> CEO of M.B.C. Entrepreneurship and Investments Ltd. <u>Director of the following companies:</u> Yahalom B.C. Ltd.	No	Accounting and financial expertise
Kenneth Neal Rozenberg Vice Chairman of the Company's Board 346399892 20 September 1966 Israeli	1 Hunters Run, Suffern, NY	Executive Committee	Holds office as a director in the FF Company	20 May 2021	<u>Academic education:</u> M.P.H., Columbia University; B.A., Yeshiva University <u>Business experience in the past five years:</u> CEO of Centers Health Care <u>Director of the following companies:</u> Centers Health Care and affiliates, in the US.	Father of Mr. Eli Zechariah Rozenberg, the controlling shareholder of the Company	No
Daryl Hagler Vice Chairman of the Company's Board 566162134 15 June 1960 USA	1 Hunters Run, Suffern, NY	Finance Committee, Executive	Holds office as a director in the FF Company	26 May 2021	<u>Academic education:</u> Accountant. B.A., Queens College. <u>Business experience in the past five years:</u> CFO in Senior Care Emergency Medical Services. CFO in Evolve Treatment Centers.	No	Accounting and financial expertise
Mordechai (Moti) Engelman 057452682 23 March 1962 Israeli	5B Zvi Graph, Petah Tikva	Safety Committee (Chair), Security Committee	No	20 October 2020	<u>Academic education:</u> LL.B, Sha'arei Mishpat College <u>Business experience in the past five years:</u> Pilot and Captain, and an appointed flight examiner of the Civil Aviation Authority of Israel (CAAI). CEO of Reut Airways Ltd. (since 2006).	No	Professional qualifications



Name ID no. DOB Citizenship	Address for service of process	Independent director / outside director Board committee membership	Are they an employee of the Company, a subsidiary, an associate thereof or an interested party thereof	Date of commencement of office as a director	Education and occupation in the past five years List of corporations of which they hold office as a director	Are they a family member of another interested party of the Company	Has accounting and financial expertise or professional qualifications
Jason Greenblatt A36828602 30 March 1967 USA	533 Winthrop Rd. Teaneck N.J 07666	Risk Management Committee	No	20 October 2020	<u>Academic education:</u> Attorney. J.D., NYU Law School. <u>Business experience in the past five years:</u> Founder of Abraham Venture LLC (since 2019).	No	Professional qualifications
Gavriel Maimon Independent Director 057134017 25 August 1961 Israeli	1 Anafa, Yad Binyamin	Audit and Compensation Committee, Finance Committee	No	17 November 2020	<u>Academic education:</u> Accountant. B.A. in Accounting and Economics, Ben Gurion University; LL.B, Sha'arei Mishpat College <u>Business experience in the past five years:</u> Chairman of the Geographical Committee, Tel Aviv Central District (2017-2022). Chairman of the Committee for Mergers of Local Authorities (since 2022).	No	Accounting and financial expertise
Yaacov Sheinenzon 022249734 4 February 1966 Israeli	4 Yagnes, Petah Tikva	Risk Management Committee, Safety Committee	No	3 August 2023	<u>Academic education:</u> Accountant and attorney. LL.B, Bar Ilan University. BA in Economics and Accounting, Bar Ilan. <u>Business experience in the past five years:</u> Owns the legal firm of Adv. Yaacov Sheinenzon, Law Offices, which primarily engages in tax matters. Between 2014-2020 held office as an outside director in Dan Public Transportation Company Ltd	No	Professional qualifications



Name ID no. DOB Citizenship	Address for service of process	Independent director / outside director Board committee membership	Are they an employee of the Company, a subsidiary, an associate thereof or an interested party thereof	Date of commencement of office as a director	Education and occupation in the past five years List of corporations of which they hold office as a director	Are they a family member of another interested party of the Company	Has accounting and financial expertise or professional qualifications
Zvia Lipshitz Goldfarb Outside Director 015376841 11 December 1962 Israeli	5 Halamish, Shoham	Finance Committee (Chair)	No	3 August 2023 (first term of office)	<u>Academic education:</u> Accountant. BA in Economics and Accounting, Bar Ilan University; MA in Jewish Studies and has a teaching certificate from Bar Ilan University; Practical Engineer of Industrial Design, Ariel University. <u>Business experience in the past five years:</u> Internal auditor and responsible for bookkeeping and preparation of financial statements, Si-Ko Investments Ltd. and the subsidiaries.	No	Accounting and financial expertise
Rabbi Yitzhak Levy Outside Director 060539038 6 June 1947 Israeli	60 Tushia, Tracked Mail Negev 8515300	Audit and Compensation Committee and Executive Committee	No	28 January 2021 (ended first term of office as an outside director on 28 January 2024 and began his second term of office on 13 March 2024)	<u>Academic education:</u> Rabbinical consent; Certified in Talmud, Bar- Ilan University <u>Business experience in the past five years:</u> Board Member, Hemdat HaDaron Academic College of Education (R.A.).	No	Accounting and financial expertise
Iris Cibulski Havilio Outside Director 022132633 16 December 1965 Israeli	7 Bareket, Modi'in- Maccabim- Reut	Audit and Compensation Committee, Finance Committee and Risk Management Committee	No	13 March 2024 (first term of office)	<u>Academic education:</u> Attorney. B.A., law and economics, The Hebrew University of Jerusalem MBA, major in finance, The Hebrew University of Jerusalem <u>Business experience in the past five years:</u> External Consultant in Securities, Agmon with Tulchinsky Law Firm (since 2012). <u>Outside Director at:</u> Universal Motors Ltd., Ram On (Investments) Ltd., and Spacecom Ltd.	No	Accounting and financial expertise



Name ID no. DOB Citizenship	Address for service of process	Independent director / outside director Board committee membership	Are they an employee of the Company, a subsidiary, an associate thereof or an interested party thereof	Date of commencement of office as a director	Education and occupation in the past five years List of corporations of which they hold office as a director	Are they a family member of another interested party of the Company	Has accounting and financial expertise or professional qualifications
Yifat Samet Shalit Outside Director 037582319 12 August 1975 Israeli	9A Aluf Michael Ben Gal, Tel Aviv	Audit and Compensation Committee, Finance Committee (Chair), Safety Committee and Security Committee	No	1 November 2024 (first term of office)	<u>Academic education:</u> Attorney. LL.B., The Academic College of Law and Science <u>Business experience in the past five years:</u> Senior business and legal consultant, VP and General Counsel, Discount Capital Ltd., 2016- 2024. <u>Independent director at the public company:</u> Duniec Bros. Ltd.	No	Accounting and financial expertise
Dr. Alon Friedlander Independent Director 022688394 4 September 1966 Israeli	19 Haim Barlev, Ramat Gan	Audit and Compensation Committee	No	31 December 2025	<u>Academic education:</u> MD, Tel Aviv University, MBA, Bar Ilan University <u>Business experience in the past five years:</u> Director of Orthopedic Division, Sheba Tel HaShomer Medical Center, starting 2023. From 2010-2023, served as Director of the Spine Clinic, Sheba Medical Center.	No	Professional qualifications

Directors who Stepped Down by Shortly Before Approval of the Report:

Dr. Amnon Schreiber

ID: 032412397

Position in the Company: Independent Director

Office commencement date: 24 November 2020

Office termination date: 31 December 2025



Regulation 26A: Senior Officers of the Corporation as of Shortly Before Approval of the Report

Name ID no. Date of birth	Position	Office commencem ent date	Holds a position with a Company subsidiary, affiliate or an interested party thereof	Interested party of the corporation or family member of another senior officer, or an interested party of the Company	Education and occupation in the past five years
Levy Halevy 02481770 17 February 1970	CEO	21 January 2026	Holds office as a director in the FF Company	No	<u>Education:</u> LL.B, Reichman University. MBA, Bar Ilan University <u>Business experience in the past five years:</u> CEO Cal (Israel Credit Cards) Ltd. from 2018-2025.
Gil Feldman, CPA 300686516 18 December 1986	CFO	1 December 2025	Holds office as Chairman of the Board of Borenstein, as a director of TAMAM, as a director of Cockpit, and as a director of Sundor	No	<u>Education:</u> BA in Economics and Accounting, Bar Ilan University. <u>Business experience in the past five years:</u> Deputy CFO, Head of the Economics and Budget and Business Development Division at the Company from 2024-2025, and Head of the Economics and Budget Division from 2020-2024.
Shlomo Karako 055548135 22 October 1958	VP Maintenance and Engineering	2 May 2021	No	No	<u>Education:</u> BSc in Mechanical Engineering, Ben Gurion University; MBA, Tel Aviv University. <u>Business experience in the past five years:</u> VP Maintenance and Engineering in the Company since May 2021;
Oren Cohen Butansky 025282773 30 May 1973	EVP Customer Service and Customer Experience	1 March 2021	Holds office as a director of TAMAM	No	<u>Education:</u> BA in Psychology, Open University, BA in Social Sciences – Economics and Political Science, Bar Ilan University; MBA, Center for Academic Studies in Israel (Derby College). <u>Business experience in the past five years:</u> VP Customers and Service of the Company since March 2021; Head of Direct Banking and Customer Experience at Poalim Bank (2016-2021).
Shlomo Natan Zafrany 037046851 22 September 1985	VP Commerce and Sales	1 September 2022	Holds office as Chairman of Sundor	No	<u>Education:</u> MBA, College of Management. <u>Business experience in the past five years:</u> VP Commercial and Industry Affairs at the Company since September 2022; served as Head of Revenue Management at the Company from 2021 and as Israel Sales Manager at the Company in 2015-2020.
Captain Hovav Ben David 22380505 21 April 1966	VP Flight Operations	15 May 2022	No	No	<u>Education:</u> Pilot, retired from the Air Force with the rank of Major. <u>Business experience in the past five years:</u> VP Flight Operations (ops) of the Company since May 2022; Chief Pilot and Head of Flight Ops at the Company between 2018-2021
Sharon Zait Brownstone 025519844 20 January 1974	VP, General Counsel, Chief Risk Officer	12 April 2022	No	No	<u>Education:</u> LL.B and MBA, Reichman University. <u>Business experience in the past five years:</u> General Counsel of the Company since April 2022; served as Head of International Relations in the Company's Trade Division between 2021- 2022, and as Head of Legal Affairs of the Company between 2018-2021.
Limor Bouzaglu 027881796 26 October 1970	VP Human Resources and Administration	1 June 2022	No	No	<u>Education:</u> BA in Middle Eastern Studies and MA in Public Administration, Bar Ilan University. <u>Business experience in the past five years:</u> VP Human Resources of the Company since August 2022; between 2022 and June 2023 held office as chairwoman of the board of Katit. Served as Head of Human Resources of the Company between 2018 and 2022.
Nadav Hanin ⁶	VP Marketing and Digital	17 July 2022	Holds office as a director of Borenstein	No	<u>Education:</u> BA in Economics and Business Administration, Haifa University

⁶ As of 1 September 2025, Mr. Nadav Hanin is serving as a placeholder VP Information Technologies at the Company. On 1 March 2026, Mr. Asaf Gal is expected to commence serving as VP Information Technologies at the Company.



Name ID no. Date of birth	Position	Office commencem ent date	Holds a position with a Company subsidiary, affiliate or an interested party thereof	Interested party of the corporation or family member of another senior officer, or an interested party of the Company	Education and occupation in the past five years
032756298 28 February 1978					MBA, College of Management. <u>Business experience in the past five years:</u> VP Marketing and Digital of the Company since July 2022; served as VP Content, Innovation and Digital at Hot Ltd. between 2019 until July 2022.
Moshe Morgenstern 034269555 20 October 1977	CEO of the subsidiary - EL AL Frequent Flyer Ltd.	01 December 2025	No	No	<u>Education:</u> BA in Business Administration, Rupin Academic Center <u>Business experience in the past five years:</u> Deputy CEO, Head of Technology and Service Division of Migdal Insurance and Finance from 2023-2025; Deputy CEO, Head of Information Systems and Technology Division of Menora Mivtachim Insurance from 2017-2023.
Moshe Cohen, CPA 051209971 3 April 1952	Company auditor	1 August 2021	Internal auditor of the Company's subsidiaries	No	<u>Education:</u> Accountant. BA in Economics and Accounting, Tel Aviv University. <u>Business experience in the past five years:</u> Managing Partner – Chaikin, Cohen, Rubin & Co. Serves as an internal auditor in various public and private companies.

Senior officers who stepped down during the report year and up to Shortly Before Approval of the Report:

On 20 April 2025, Mr. Omri Cohen ceased serving as Deputy CEO and COO.
On 31 July 2025, Mr. Ronen Galperin ceased serving as CEO of subsidiary company EL AL Frequent Flyer Ltd.
On 1 September 2025, Dr. Ronen Yochpaz ceased serving as VP Information Technologies in the Company.
On 15 October 2025, Mr. Yarom Vadish ceased serving as EVP Sales & Tourism.
On 30 November 2025, Mr. Yacov (Yankale) Shahar ceased serving as CFO.
On 31 December 2025, Ms. Dina Ben Tal Ganancia ceased serving as CEO of the Company.

Regulation 26B: Authorized Signatory of the Corporation

The Company does not have independent authorized signatories.

Regulation 27: Auditor of the corporation

The accounting firm of Kost, Forer, Gabbay & Kasierer
Address: 144 Derech Begin, Tel Aviv Jaffa

Regulation 28: Change to the Memorandum or Articles of Association

During the report year and up to Shortly Before Approval Of The Report, no changes were made to the Company's memorandum or articles of association.



Regulation 29(a): Directors' Recommendations and Resolutions; and (b):

On 5 January 2026, the Company's Board decided on a cash dividend distribution to the shareholders. For additional information, see Section 4 of the chapter "Description of the Corporation's Business" and Note 18G to the Company's Financial Statements. Apart from the aforesaid, in the report year, the Company's shareholders' meeting did not adopt resolutions on issues specified in Regulation 29(a) and did not adopt resolutions as stated in Regulation 29(b), other than in accordance with the directors' recommendations.

Regulation 29(c): Resolutions of a Special General Meeting

- (a) On 26 January 2025, the special general meeting of the company's shareholders ("the Meeting") approved the following issues: (1) approval of an update to the terms of office and employment of the Company's (outgoing) CEO, in accordance with the terms in the notice of meeting report; (2) approval of an update to the terms of office and employment of the Company's Chairman of the Board, in accordance with the terms in the notice of meeting report; (3) approval of specific amendments to the Company's compensation policy, without any change to the Company's compensation policy's term. For additional details, see the notice of meeting report released by the Company on 15 January 2025 (Ref.: 2025-01-004610), the report regarding the results of the Meeting released by the Company on 26 January 2025 (Ref.: 2025-01-006802), and Note 21 to the Company's Financial Statements.
- (b) On 31 December 2025, the annual and special general meeting of the Company's shareholders ("the Meeting") approved the following issues: (1) deliberation of the Company's periodic report for the year ended 31 December 2024; (2) reappointment of the accounting firm of Kost, Forer, Gabbay & Kasierer as the Company's auditor; (3) renewal of the appointment of the board members who hold office in the Company and are not outside directors, for an additional term of office, effective from the meeting approval date until the date of the next annual meeting, as follows: Messrs. Amikam Ben Zvi, Kenneth Neal Rozenberg, Daryl Hagler, Jason Greenblatt, Mordechai (Moti) Engelman, Gavriel Maimon (Independent Director) and Yaacov Sheinenzon; (4) appointment of Dr. Alon Friedlander as an independent director of the Company effective from the date of approval by the Meeting; (5) approval of compensation policy; (6) approval of an update to the terms of office and employment and the grant of equity-based compensation to the Company's Chairman of the Board, Mr. Amikam Ben Zvi; (7) approval of the terms of office and employment of the Vice Chairmen of the Board, Messrs. Kenneth Neal Rozenberg and Darrell Hagler. For further details, see the notice of meeting report released by the Company on 16 December 2025 (Ref.: 2025-01-100420) and the report regarding the results of the Meeting released by the Company on 31 December 2025 (Ref.: 2025-01-106046).

Regulation 29A: The Company's Resolutions

On 21 January 2026 and 22 January 2026, the audit and compensation committee and the board of directors of the Company, respectively, approved the engagement in a D&O insurance policy, for the period from 1 February 2026 until 31 July 2027, in the Company and its subsidiaries and associates, for the directors and officers of the Company, as being from time to time, while the terms and conditions of the insurance policy are identical in respect of all of the Company's officers, including the officers from the Company's control holder, as being from time to time.

For details on D&O liability insurance, see immediate report released by the Company on 22 January 2026 (Ref.: 2026-01-009153), and Note 21 to the Company's Financial Statements.



Date: 24 February 2026

Mr. Amikam Ben Zvi
Chairman of the Board

Levy Halevy
CEO



Corporate Governance Questionnaire

Independence of the Board of Directors				Correct	Incorrect
1.		Throughout the entire report year, two or more outside directors held office in the corporation. In this question you may reply "Correct" if the period of time in which two outside directors did not hold office does not exceed 90 days, as provided in Section 363A(b)(10) of the Companies Law. However, any reply which is (Correct/Incorrect) shall state the period (in days) in which two or more outside directors did not hold office in the corporation in the report year (including also a term of office which was retroactively approved, while distinguishing between the different outside directors): <u>Director A:</u> Yitzhak Levy <u>Director B:</u> CPA Zvia Lipshitz Goldfarb <u>Director C:</u> Adv. Iris Cibulski Havilio <u>Director D:</u> Adv. Yifat Samet Shalit Number of outside directors holding office in the corporation as of the date of release of this questionnaire: 4.		√	
2.		The rate⁷ of independent directors⁸ holding office in the corporation as of the date of release of this questionnaire: <u>6/12.</u> The rate of independent directors determined in the articles of association⁹ of the corporation¹⁰: <u>no provision set in the articles of association.</u>		-----	-----
3.		In the report year, an examination was held with the outside directors (and the independent directors) and it was found that in the report year they complied with the provisions of Section 240(b) and (f) of the Companies Law regarding the absence of a link of the outside (and independent) directors holding office in the corporation, and that they also fulfill the conditions required for holding of office as an outside (or independent) director.		√	

⁷ In this questionnaire, "rate" – a specific number out of the total. For example, 3/8.

⁸ Including "outside directors" as defined in the Companies Law.

⁹ In the context of this question – "articles of association" including pursuant to a specific legal provision that applies to the corporation (for example, in a banking corporation – the guidelines of the Supervisor of Banks).

¹⁰ A bond company is not required to answer this section.



4.		All of the directors who held office in the corporation during the report year do not, directly or indirectly, report¹¹ to the CEO (excluding a director who is a workers' representative, if there is a workers' representative body in the corporation). If your answer is "Incorrect", (i.e., the director reports to the CEO as aforesaid) – state the number of directors not complying with the aforesaid restriction: _____.	✓	
5.		All of the directors who notified of the existence of a personal interest they have in the approval of a transaction on the meeting's agenda, neither attended the deliberation nor participated in a vote as aforesaid (other than a deliberation and/or vote in circumstances as stated in Section 278(b) of the Companies Law or a transaction as stated in Section 271): If your answer is "Incorrect" – Was it for the purpose of presentation of a specific issue by him pursuant to the provisions of the last part of Section 278(a): ☐ Yes ☐ No State the number of meetings in which such directors were present at the deliberation and/or participated in the vote, other than in circumstances as provided in Subsection a.: _____.	✓	
6. 1.		The controlling shareholder (including their relative and/or anyone on their behalf), who is not a director or another senior officer of the corporation, did not attend the board meetings held in the report year. If your answer is "Incorrect" (i.e., the controlling shareholder and/or their relative and/or anyone on their behalf who is not a board member and/or a senior officer of the corporation attended such board meetings) - the following details regarding the attendance of any additional person in such board meetings shall be stated: Identity: Position: State the link to the controlling shareholder (if the attendee was not the controlling shareholder himself): Was it for the purpose of presentation of a certain issue: ☐ Yes ☐ No The rate of their attendance¹² at board meetings held in the report year for the purpose of presentation of a specific issue by him: ☐ Irrelevant (the corporation has no controlling shareholder).	✓	

¹¹ For purposes of this question – the mere holding of office as a director in a held corporation which is controlled by the corporation, is not deemed as "reporting". Conversely, a director's office in a corporation acting as an officer (other than a director) and/or employee in the held corporation which is controlled by the corporation, shall be deemed as "reporting" for purposes of this question.

¹² While separating the controlling shareholder, their relative and/or another on their behalf.



Directors' qualifications and skills				
			Correct	Incorrect
7.		In the corporation's articles of association there is no provision limiting the possibility of immediately terminating the office of all of the directors of the corporation ¹³ who are not outside directors (in this context - a determination by a regular majority is not deemed a limitation). If your answer is "Incorrect" (i.e., such limitation exists), state –	✓	
	a.	The period prescribed in the articles of association for the office of a director: _____.		
	b.	The required majority prescribed in the articles of association for the termination of office of the directors: _____.		
	c.	The quorum at the general meeting prescribed in the articles of association for the termination of office of the directors: _____.		
	d.	The majority required for amending these provisions in the articles of association: _____.		
8.		The corporation has a training plan for new directors, in the field of the corporation's business and in the field of the law applicable to the corporation and the directors, as well as a continuing plan for the training of incumbent directors, which is adjusted, <i>inter alia</i>, to the position held by the director in the corporation. If your answer is "Correct" - state whether the plan was implemented in the report year: x Yes No In this context, see note at the end of the questionnaire.	✓	
9.	8.	The corporation determined a required minimum number of directors on the board who must have accounting and financial expertise. If your answer is 'Correct' - state the minimum number which was determined: <u>1/3 of the number of directors holding office at any time.</u>	✓	

¹³ A bond company is not required to answer this section.



		b.	Number of directors holding office in the corporation during the report year – Having accounting and financial expertise ¹⁴ : <u>8</u> . Having professional qualifications: <u>3</u> . If there were changes in the number of directors as aforesaid in the report year, provide the figure of the lowest number (other than in the 60-day period from the change) of directors of any kind who held office in the report year.		
10.		a.	Throughout the report year, the composition of the board included members of both genders. If your answer is “Incorrect” – state the period (in days) in which the aforesaid was not met: ____. In this question, you may answer “Correct” if the period in which directors of both genders did not hold office does not exceed 60 days. However, in any (Correct/Incorrect) answer, state the period (in days) in which directors of both genders did not hold office in the corporation: ____.	✓	
		b.	Number of directors of each gender holding office on the board of the corporation as of the date of release of this questionnaire: Men: <u>9</u> , Women: <u>3</u> .	-----	-----

Board Meetings (and convening general meetings)					
				Correct	Incorrect
11.		a.	Number of board meetings held during each quarter in the report year: Q1 (2025): 4. Q2: 5.	-----	-----

¹⁴ After the Board's estimation, in accordance with the provisions of the Companies Regulations (Conditions and Tests for Directors Having Accounting and Financial Expertise and Directors with Professional Qualifications), 5766-2005.



			Q3: 4. Q4: 4. In the context of this question, see note at the end of the questionnaire.							
		b.	Alongside each of the names of the directors holding office in the corporation during the report year, state their participation rate in the board meetings (in this subsection - including meetings of the board committees of which they are members, and as stated below) held during the report year (in reference to their term of office): In this context, see note at the end of the questionnaire.							
			Name of Director	Rate of Participation in the Board Meetings	Rate of Participation in the Meetings of the Audit Committee	Rate of Participation in the Meetings of the Financial Statements Review Committee	Rate of Participation in Meetings of Compensation Committee In this context, see note at the end of the questionnaire	Rate of Participation in Meetings of Additional Board Committees of which he is a Member	-----	-----
			Amikam Ben Zvi	17/17				6/8		
			Kenneth Neal Rozenberg	13/17				1/1		
			Daryl Hagler	9/17		3/5		1/1		
			Mordechai (Moti) Engelman	17/17				2/2		



			Jason Greenblatt	12/17				4/4		
			Gavriel Maimon	16/17	15/15	5/5				
			Dr. Amnon Schreiber	15/17	15/15	5/5		4/4		
			Rabbi Yitzhak Levy	17/17	11/15			1/1		
			Zvia Lipshitz Goldfarb	17/17	15/15	5/5				
			Yaacov Sheinenzon	16/17				6/6		
			Iris Cibulski Havilio	17/17	15/15	5/5		4/4		
			Yifat Samet Shalit	17/17	15/15	5/5		3/3		
12.	.1		In the report year, the board held at least one deliberation on the management of the corporation's business by the CEO and the officers reporting to them, in their absence.						√	



Separation between the Positions of the CEO and the Chairman of the Board				
			Correct	Incorrect
13.		Throughout the entire report year, a chairman of the board held office in the corporation. In this question, you may answer “Correct” if the period in which a chairman of the board did not hold office in the corporation does not exceed 60 days, as provided in Section 363A(2) of the Companies Law. However, in any (Correct/Incorrect) answer, state the period (in days) during which there was no chairman of the board holding office in the corporation as aforesaid: _____.	√	
14.		Throughout the entire report year, a CEO held office in the corporation. In this question, you may answer "Correct" if the period during which there was no acting CEO in the corporation does not exceed 90 days as provided in Section 363A(6) of the Companies Law, however, in any (Correct/Incorrect) answer, state the period (in days) during which there was no CEO holding office in the corporation as aforesaid: _____.	√	
15.		In a corporation in which the Chairman of the Board also serves as the CEO of the corporation and/or exercises their powers, the dual office was approved in accordance with Section 121(c) of the Companies Law¹⁵. ☐ Irrelevant (insofar as such dual office does not exist in the corporation).	-----	-----
16.		The CEO is <u>not</u> a relative of the chairman of the board. If your answer is "Incorrect" (i.e., the CEO is a relative of the Chairman of the Board) –	√	
	a.	State the familial relations between the parties: _____.	-----	-----
	b.	The office was approved in accordance with Section 121(c) of the Companies Law: ☐ Yes ☐ No	-----	-----

¹⁵ In a bond company – an approval pursuant to Section 121(d) of the Companies Law.



17.		A controlling shareholder or their relative do <u>not</u> serve as the CEO or as a senior officer in the corporation, other than as a director. ☐ Irrelevant (the corporation has no controlling shareholder).	✓	
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The Audit Committee					With regard to this chapter, see note at the end of the questionnaire	
					Correct	Incorrect
18.		The following did <u>not</u> hold office in the audit committee during the report year -			-----	-----
	a.	The controlling shareholder or their relative. ☐ Irrelevant (the corporation has no controlling shareholder).			✓	
	b.	The Chairman of the Board.			✓	
	c.	A director who is employed by the corporation or by the controlling shareholder of the corporation or by a corporation controlled by them.			✓	
	d.	A director who regularly provides services to the corporation or to the controlling shareholder of the corporation or a corporation controlled by them.			✓	
	e.	A director whose primary livelihood depends on the controlling shareholder. ☐ Irrelevant (the corporation has no controlling shareholder).			✓	
19.		No one who is not entitled to be a member of the audit committee, including a controlling shareholder or their relative, was present, in the report year, in the audit committee meetings, other than pursuant to the provisions of Section 115 (e) of the Companies Law.			✓	
20.		The quorum for deliberation and adoption of resolutions in all of the audit committee's meetings held during the report year was a majority of the committee members, where the majority of the attendees were independent directors and at least one of them was an outside director. If your answer is "Incorrect" - state the rate of the meetings in which the said requirement was not met: _____.			✓	



21.	In the report year, the audit committee held at least one meeting in the presence of the internal auditor and the outside auditor, and in the absence of officers of the corporation who are not members of the committee, regarding deficiencies in the business management of the corporation.	√	
22.	In all of the audit committee's meetings in which a person who is not entitled to be a committee member was present, it was with the approval of the chairman of the committee and/or at the request of the committee (regarding the general counsel and secretary of the corporation who is not a controlling shareholder or their relative).	√	
23.	In the report year, there were valid arrangements which were set forth by the audit committee regarding the manner of handling complaints of employees of the corporation in relation to flaws in the management of its business and with regard to the protection that will be provided to employees who complained as aforesaid.	√	
24.	The audit committee (and/or the Financial Statements Review Committee) is satisfied that the scope of work of the auditor and his fee with respect to the Financial Statements in the report year were appropriate for the performance of proper audit and review work.	√	

The Duties of the Financial Statements Review Committee (hereinafter - FSRC) in its Preliminary Work for the Approval of the Financial Statements				
			Correct	Incorrect
25.	a.	State the period (in days) prescribed by the board of directors as reasonable time for delivery of the FSRC's recommendations in contemplation of the board's deliberation for the approval of the Financial Statements: <u>2.</u>	-----	-----
	b.	The number of days actually elapsed between the date of delivery of the recommendations to the board and the date of the board's deliberation for the approval of the Financial Statements: Q1 statement: <u>2 days</u> . Q2 statement: <u>2 days</u> . Q3 statement: <u>2 days</u> . Annual statement: <u>2 days</u> .	-----	-----



	c.	The number of days elapsed between the date of delivery of the draft financial statements to the directors and the date of the board's deliberation for the approval of the Financial Statements: Q1 statement: 6 days . Q2 statement: 6 days . Q3 statement: 6 days . Annual statement: 6 days .		
26.		The Corporation's auditor participated in all of the FSRC and board meetings, in which the financial statements of the corporation referring to periods included in the report year were deliberated. If your answer is "Incorrect", state the rate of their participation: _____.	✓	
27.		All of the conditions specified below were fulfilled at the FSRC throughout the entire report year and until the release of the annual statement:	-----	-----
	a.	The number of the members was not less than three (on the date of the deliberation by the FSRC and approval of the statements as aforesaid).	✓	
	b.	All of the conditions specified in Section 115 (b) and (c) of the Companies Law (in respect of the office of audit committee members) were met thereby.	✓	
	c.	The chairman of the FSRC is an outside director.	✓	
	d.	All of its members are directors and most of its members are independent directors.	✓	
	e.	All of its members have the ability to read and understand financial statements and at least one of the independent directors has accounting and financial expertise.	✓	
	f.	The members of the FSRC provided a statement prior to their appointment.	✓	
	g.	The quorum for deliberation and adoption of resolutions on the FSRC was the majority of its members provided that most of those present were independent directors including at least one outside director.	✓	
		If your answer is "Incorrect" regarding one or more of the subsections of this question, state in respect of which statement (periodic/quarterly) such condition was not met, and the condition that was not met: _____.	-----	-----



Compensation Committee			Correct	Incorrect
With regard to this chapter, see note at the end of the questionnaire				
28.		In the report year, the committee consisted of at least three members and the outside directors constituted a majority therein (on the date of the deliberation by the committee). ☐ Irrelevant (no deliberation was held).	✓	
29.		The terms of office and employment of all of the members of the compensation committee in the report year are in accordance with the Companies Regulations (Rules on Remuneration and Expenses for an Outside Director), 5760-2000.	✓	
30.		The following did not hold office in the compensation committee during the report year -	-----	-----
	a.	a. The controlling shareholder or their relative. ☐ Irrelevant (the corporation has no controlling shareholder).	✓	
	b.	The chairman of the board.	✓	
	c.	A director who is employed by the corporation or by the controlling shareholder of the corporation or by a corporation controlled by them	✓	
	d.	A director who regularly provides services to the corporation or to the controlling shareholder of the corporation or a corporation controlled by them.	✓	
	e.	b. A director whose primary livelihood depends on the controlling shareholder. ☐ Irrelevant (the corporation has no controlling shareholder).	✓	
31.		In the report year, a controlling shareholder or his relative did not attend meetings of the compensation committee, unless the chairman of the committee determined that any one of them is required in order to present a specific issue.	✓	
32.		The compensation committee and the board did not exercise their power pursuant to Sections 267A(c), 272(c)(3) and 272(C1)(1)(c) to approve a transaction or compensation policy, despite the objection of the general meeting.	✓	



	If your answer is "Incorrect", state – The type of transaction so approved: _____ The number of times their power was exercised in the report year: _____		
--	--	--	--

Internal Auditor			
		Correct	Incorrect
33.	The chairman of the board or the CEO of the corporation is the organizational supervisor of the internal auditor in the corporation.	✓	
34.	The chairman of the board or the audit committee approved the work plan in the report year. In addition, specify the audit issues addressed by the internal auditor in the report year: In 2025, a variety of issues were examined, primarily: the TAMAM factory construction project, salary audits, reconciliation with authorities, transactions with interested parties and related parties, airport taxes, leases, reconciliation with FF company, interline agreements, personal contract salaries, crew positioning, distribution systems, passenger compensation, BCP exercise, aviation parts inventory, supplier cyber, activity of subsidiaries, crisis event preparations, activity of the procurement division, officers' salary, and others. Against the backdrop of the Swords of Iron War and Operation Rising Lion, adjustments were made to the 2025 work plan of the internal audit, which were approved by the authorized organs of the Company.	✓	
35.	Scope of employment of the internal auditor in the corporation in the report year ¹⁶ : 12,600 hours.	-----	-----
	In the report year, a deliberation was held (by the audit committee or the board) on the internal auditor's findings.	✓	
36.	The internal auditor is neither an interested party in the corporation, nor its relative, auditor or another on its behalf, nor maintains material business ties with the corporation, its controlling shareholder, relative or corporations controlled thereby.	✓	

¹⁶ Including work hours invested in investee corporations and in auditing overseas, and as the case may be.



Transactions with Interested Parties		
	Correct	Incorrect
37.	The controlling shareholder or their relative (including a company controlled by him) is neither employed by the corporation nor provides management services thereto. If your answer is "Incorrect" (i.e. the controlling shareholder or their relative is employed by the corporation or provides management services thereto), state – – The number of relatives (including the controlling shareholder) employed by the corporation (including companies controlled by them and/or through management companies): 1¹. – Have the agreements for such employment and/or management services been approved by the organs specified in the law: ☒ Yes ☐ No ☐ Irrelevant (the corporation has no controlling shareholder).	✓
38.	To the best of the corporation's knowledge, the controlling shareholder does not have other businesses in the operating segment of the corporation (in one or more segments). If your answer is "Incorrect" - state whether an arrangement was prescribed to define activities between the corporation and the controlling shareholder thereof: ☐ Yes ☐ No ☐ Irrelevant (the corporation has no controlling shareholder).	✓

Notes:

Notes to Question no. 8: Initial training for a new director is performed by giving out a kit which includes legislative provisions, procedures relevant to the Company's operations, individual training sessions, and meetings with functionaries in the Company. From time to time, the Company conducts various professional training sessions, including on issues pertaining to corporate governance, to which are invited, *inter alia*, the directors of the Company and the subsidiaries. In addition, during the report year, the Company held a professional directors' training during which lectures were delivered by internal and external speakers on matters relating, *inter alia*, to corporate governance provisions, the Company's business activities, as well as information security, cyber, and artificial intelligence.

Notes to Question no. 11: Question 11(a) – only data on the number of board meetings are presented, excluding the board committees.



Question 11(b) – on 31 December 2025, the meeting of the Company's shareholders appointed Dr. Alon Friedlander as an independent director of the Company. On 31 December 2025, Dr. Amnon Schreiber ended his term as an independent director of the Company.

Notes to Question no. 37: For details on the terms of office and employment of Mr. Kenneth Neal Rozenberg, who is a "relative" of the controlling shareholder of the Company, see Note 21 to the Financial Statements.

Note to the Audit Committee chapter and the Compensation Committee chapter: the Company's Audit Committee also serves as the Compensation Committee and is known as the Audit and Compensation Committee.

Chairman of the Board, Mr. Amikam Ben Zvi: _____

Chairwoman of the Audit and Compensation Committee, Ms. Zvia Lipshitz Goldfarb: _____

Chairwoman of the Financial Statements Review Committee (the Finance Committee), Ms. Yifat Samet Shalit: _____

Date of signing: 24 February 2026.



EL AL



Chapter F

Report on the Effectiveness of Internal Control
Annual Report on the Effectiveness of Internal Control
Financial Reporting and Disclosure
Overnight Reporting and Disclosure

El Al Israel Airlines Ltd.

Attached hereto is the annual report on the effectiveness of internal control over financial reporting and disclosure under Regulation 9B(a) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970:

Management, overseen by the board of directors of El Al Israel Airlines Ltd. (the "**Corporation**"), is responsible for the establishment and implementation of appropriate internal controls over financial reporting and disclosure in the Corporation.

For this purpose, the members of management as of shortly before approval of the report are:

- Levy Halevy, Chief Executive Officer.
- Oren Cohen Butansky, EVP, VP Customers and Service.
- Gil Feldman, Chief Financial Officer.
- Sharon Brownstone Zait, VP, General Counsel and Chief Risk Officer.
- Limor Bouzaglo, VP Human Resources and Administration.
- Shlomo Karako, VP Maintenance and Engineering.
- Hovav Ben-David, VP Flight Operations.
- Nadav Hanin, VP Marketing & Digital.
- Shlomo Natan Zafrany, VP Commerce and Sales.

Internal control over financial reporting and disclosure consists of in-place controls and procedures in the Corporation designed by the Chief Executive Officer (CEO) and the most senior financial officer or under their supervision, or by the persons actually performing such functions, supervised by the board of directors of the Corporation (the "**Board**"), which are intended to provide a reasonable degree of assurance in relation to the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information the Corporation is required to disclose in reports released thereby pursuant to the provisions of the law is collected, processed, summarized and reported at such time and in such format as prescribed by the law.

Internal control includes, inter alia, controls and procedures that are designed to ensure that information the Corporation is required to disclose as noted, is accumulated and forwarded to the management of the Corporation, including the CEO and the most senior financial officer or the persons actually performing such functions, in order to allow for decision making at the appropriate time, in relation to the disclosure requirement.

Due to its structural limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that that erroneous presentation or the omission of information from reports will be prevented or detected.

Management, with Board oversight, has performed an inspection and evaluation of the internal control over the financial reporting and disclosure in the Corporation and its effectiveness.

The assessment of the effectiveness of internal control over financial reporting and disclosure performed by management, with Board oversight, included:

Mapping and identification of the accounts and business processes which the Company deems as very material to the financial reporting and disclosure, determination and design of controls which address the risks identified by management and an examination of the effectiveness of such controls. The internal control components included: (1) entity-level controls, including controls over the process of preparing and closing financial reports and general IT system controls; (2) controls over passenger revenues from the sale of flight tickets and revenues from cargo; (3) controls over the measurement of deferred revenues for FF points; (4) controls of fixed assets – aircraft, engines and parts; (5) controls over payroll expenses for employees in Israel; (6) controls over benefits for employees in Israel. All internal control components exclude subsidiaries.

Based on the assessment of effectiveness carried out by management with Board oversight as aforesaid, the Corporation's Board and management have reached the conclusion that the internal control over financial reporting and disclosure in the Corporation as of 31 December 2025 is effective.



(a) Statement by the Chief Executive Officer under Regulation 9B(d)(1):

Executive Statement

Statement by the Chief Executive Officer

I, Levy Halevy, do hereby state that:

1. I have reviewed the periodic report of El Al Israel Airlines Ltd. (the "**Corporation**") for 2025 (the "**Reports**");
2. To my knowledge, the Reports do not include any misrepresentation of a material fact nor lack the representation of a material fact that is necessary in order for the representations included therein, given the circumstances under which such representations were included, not to be misleading in relation to the period of the Reports;
3. To my knowledge, the financial statements and other financial information included in the Reports fairly reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and for the periods to which the Reports refer;
4. I have disclosed to the auditor of the Corporation, the Board and the audit and compensation committee and the financial statements (balance sheet) review committee of the Corporation, based on my most recent assessment of the internal control over financial reporting and disclosure:
 - a. All the significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting and disclosure which might reasonably adversely affect the ability of the Corporation to collect, process, summarize or report financial information in a manner that may cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and
 - b. Any fraud, whether material or not material, in which the CEO or anyone directly reporting to him is involved or in which other employees that have a significant role in the internal control over financial reporting and disclosure are involved;
5. I, alone or with others in the Corporation:
 - a. Have established controls and procedures, or have ensured the establishment and implementation of controls and procedures under my supervision, which are intended to ensure that material information relating to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my attention by others in the Corporation and in the consolidated companies, particularly over the course of preparation of the Reports; and
 - b. Have established controls and procedures, or have ensured the establishment and implementation of controls and procedures under my supervision, which are intended to provide reasonable assurance of the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - c. I assessed the effectiveness of the internal control over financial reporting and disclosure, and have presented in this report the conclusions of the Board and management regarding the effectiveness of the internal control as of the date of the Reports.

The foregoing does not derogate from my responsibility or the responsibility of any other person, pursuant to any law.

Levy Halevy, CEO

24 February 2026



(B) STATEMENT BY THE MOST SENIOR FINANCIAL OFFICER UNDER REGULATION 9B(D)(2):

Executive Statement

Statement by the Most Senior Financial Officer

I, Gil Feldman, do hereby state that:

1. I have reviewed the financial statements and the other financial information included in the reports of El Al Israel Airlines Ltd. (the "Corporation") for 2025 (the "Reports");
2. To my knowledge, the financial statements and the other financial information included in the Reports do not include any misrepresentation of a material fact nor lack the representation of a material fact that is necessary in order for the representations included therein, given the circumstances under which such representations were included, not to be misleading in relation to the period of the Reports;
3. To my knowledge, the financial statements and other financial information included in the Reports fairly reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and for the periods to which the Reports refer;
4. I have disclosed to the auditor of the Corporation, the Board, the audit and compensation committee and the financial statements (balance sheet) review committee of the Corporation, based on my most recent assessment of the internal control over financial reporting and disclosure:
 - a. All the significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting and disclosure, to the extent relating to the financial statements and to the other financial information included in the Reports, which might reasonably adversely affect the ability of the Corporation to collect, process, summarize or report financial information in a manner that may cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and
 - b. Any fraud, whether material or not material, in which the CEO or anyone directly reporting to him is involved or in which other employees that have a significant role in the internal control over financial reporting and disclosure are involved;
5. I, alone or with others in the Corporation:
 - a. Have established controls and procedures, or have ensured the establishment and implementation of controls and procedures under my supervision, which are intended to ensure that material information relating to the Corporation, including consolidated companies thereof, as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, to the extent relevant to the financial statements and other financial information included in the Reports, is brought to my attention by others in the Corporation and in the consolidated companies, particularly over the course of preparation of the Reports; and
 - b. Have established controls and procedures, or have ensured the establishment and implementation of controls and procedures under my supervision, which are intended to provide reasonable assurance of the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - c. I assessed the effectiveness of the internal control over financial reporting and disclosure, insofar as it pertains to the financial statements and other financial information included in the Reports as of the date thereof; my conclusions regarding such assessment have been presented to the Board and management and are included in this report.

The foregoing does not derogate from my responsibility or the responsibility of any other person, pursuant to any law.

Gil Feldman, CFO

24 February 2026

