Periodic Report for

2024

El Al Israel Airlines Ltd.

Disclaimer

This English translation of the Company's annual report for the year ended December 31, 2024 ("English Translation") is an unofficial translation provided for convenience and information purposes only.

The Hebrew version submitted to the Israeli Securities Authority and the Tel Aviv Stock Exchange on March 12, 2025 ("Hebrew Version") (link https://maya.tase.co.il/he/reports/companies/1650619?attachmentType=pdf1) shall be the sole legally binding version and the only one having legal effect.

In the event of any conflict or discrepancy between the terms of this English Translation and the Hebrew Version, the Hebrew Version shall prevail.

The Company makes no representations as to the accuracy and reliability of the financial information in this English Translation, and shareholders should refer to the Hebrew Version for any and all financial or other information relating to the Company.

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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 2024, which describes the Corporation and the development of its business, as occurred in 2024. The financial data included in this chapter are stated in U.S. Dollars, unless stated otherwise.

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"	Report of the Company's board of directors on the state of the Corporation's affairs for the year ended 31 December 2024 (Chapter B).
"Dollars" / "$"	U.S. dollars.
"TASE"	Tel Aviv Stock Exchange Ltd.
"Periodic Report"	The periodic report for 2024.
"2023 Periodic Report"	The periodic report for 2023 released by the Company (by way of a corrective report) on 29 February 2024 (Ref. 2024-01-021132).
"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 2024 (Chapter C).
"State"	The State of Israel.
"Shortly Before Approval of the Report"	10 March 2025.
"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 2024.
"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 2023 (Chapter E).
"Cockpit"	Cockpit Innovation Ltd.
"IAA"	Israel Airports Authority.
"CAAI"	Civil Aviation Authority of Israel
"Report Year"	2024
"2003 Prospectus"	The IPO prospectus published by the Company on 30 May 2003, as amended on 3 June 2003 and 4 June 2003.
"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 its subsidiaries operate in the industry of passenger and cargo air transport to and from Israel. The Group primarily operates scheduled 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

7 October 2023 saw the outbreak of the War in Israel, which has had an impact on Israel's aviation and tourism industry. In the Report Year, the war had a substantial impact both on the supply of seats at BGA and on the overall scale of passenger traffic at BGA. Foreign airlines intermittently cancelled and resumed some of their flights to and from Israel, according to the changing security situation and the lack of stability in this context throughout the Report Year. Such changing reality brought about frequent changes and intensified uncertainty in relation to the scale of operations of foreign airlines. Furthermore, and among other things consequently to the drop in the supply of seats resulting from the unstable operations of foreign airlines, the number of passengers passing through BGA dropped, decreasing by approx. 34% in the Report Year as compared with last year. Notwithstanding the foregoing, throughout the Report Year, demand for flights was significantly higher than the supply of seats at BGA, such that demand for the Company's flights throughout the Report Year was considerably higher relative to seasonality, at times even exceeding the demand experienced by the Company in peak periods in times of normalcy. For further details, see the introduction and Section A.2 of the Board Report.

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, as specified below.

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 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, and also operates a crisis room which is headed by VP Flight Operations for the purpose of managing various events, such as: Missile attacks, runway updates, flight route changes, and all with meticulous risk management.

In Q1/2025, in view of ceasefire understandings and agreements, the security situation de-escalated, albeit it still features uncertainty. Against this backdrop, gradual improvement was demonstrated in the pace and intensity of foreign airlines' return to Israel. However, because Q1/2025 still featured a trend of limited seat supply relative to the demand, the Company expects that the results of its operations in this quarter will demonstrate a positive impact and resemble the same quarter last year with the required adjustments. For further details, see Section A.2 of the Board Report.

The Company's aforesaid forecasts and estimates, including the projected results of the Company's operations in Q1/2025 and the Company's continued policy on various matters, constitute forward-looking information, within the meaning thereof under the Securities Law. Such forward-looking information does not constitute an established fact, and it is based on the information the Company holds and on its assessments to the best of its judgment as of Shortly Before Approval of the Report. Materialization of the forecasts and estimates depends on the occurrence of events that are not within the Company's control, including the materialization of any of the risk factors listed in Section 8.16 below, which may cause such information to not come to pass or come to pass in a manner that materially differs from the Company's assessments.

Key points of the various measures the Company has been taking due to the War are listed below.

Commercial, operative and operational measures

Since the outbreak of the War, throughout the Report Year and thereafter, the Company has been acting to ensure an open line of transport between Israel and the world, despite the uncertainty prevailing in connection with passenger traffic to and from Israel, *inter alia*, due to the discontinuation or reduction of flight operations by most foreign airlines in Israel.

During the Report Year, the Company made adjustments to its destination mix (including suspension and postponement of operations commencement in certain destinations) according to market demand and the changing needs of the Company and according to the directives of the State's competent defense functions and travel warnings for Israeli citizens staying abroad (as issued by the National Security Council). In this framework, the Company has increased the frequency of flights on core routes, including select flights to North America, Europe and the Far East, along with the suspension of operations on other routes. For further details regarding the change of the route network, see Section 7.2 below.

The Company also implements a strict pricing policy 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.

Moreover, due to increasing demand and in order to provide an alternative solution for passengers whose flights were canceled or changed by foreign airlines, in August 2024, the Company decided to set a uniform LITE ticket price for all available economy class tickets to four destinations: Larnaca (Cyprus), Athens (Greece), Vienna (Austria), and Dubai (the United Arab Emirates, UAE), where a wide range of flight tickets to subsequent destinations around the world are on offer. These prices were valid for flights that departed by 31 December 2024. In December 2024, the Company extended such uniform pricing policy, adjusting the destination mix to include Athens (Greece), Frankfurt (Germany), Vienna (Austria), and Dubai (UAE), for flights that departed by 28 February 2025. It is noted that the Company operates dozens of weekly flights to these destinations.

As a result of the increased demand for cargo transport during the War, and *inter alia*, in view of the discontinuation of flight operations by most of the foreign airlines, the Company increased the scale of its cargo operations, both in the cargo hold of passenger aircraft and on aircraft designated for cargo transport, and endeavored to bring essential equipment to Israel to assist security and medical forces. In addition, in order to meet such demand, the Company acted to convert a passenger aircraft to the configuration of an all-cargo aircraft for a certain period of time.

The adding of passenger and cargo flights as noted were carried out despite hundreds of the Company's personnel having been called to serve on reserve duty under immediate emergency orders ("*Tzav Shmoneh*").

Furthermore, during the Report Year and given the effects of the War as specified above, the Company's Service Center experienced a significant workload and considerable increase in the number of calls, following which the Company bolstered the Service Center with additional manpower, including the Baggage Claims Call Center.

Community support following the War

In addition to the said contribution to the war effort, in 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.

In February 2024, the Company launched a largescale television, online and billboard image campaign in Israel with the message "Flying with the Flag". The purpose of this campaign was to express the Company's commitment to Israel's citizens and soldiers in times of war. As part of the campaign, the Company donated 15% of the billboard advertising space it had purchased for the campaign to the Hostages and Missing Families Forum, which the Company has supported since the outbreak of the War.

In the framework of this campaign, as part of the Company's expression of appreciation for IDF soldiers serving on regular and reserve duty, the Company launched a special reward under which it handed out approx. 20,000 free flight tickets to select destinations (subject to payment of airport taxes) to IDF soldiers serving on regular and reserve duty, according to the terms and conditions of the reward.

In July 2024, the Company launched the "Flag Team" campaign in collaboration with Hanan Ben Ari and several other influencers. As part of the campaign, several cheerleading teams were formed, which included, among others, chosen members of the general public and disabled IDF veterans who participated in a cheerleading video contest. The cheerleading teams accompanied the Israeli National Team players to the Paralympic Games held at the Paris Olympics, at the expense of the Company. The Company also handed out tickets to Hanan Ben Ari's performances to soldiers serving on regular and reserve duty.

In November 2024, following the antisemitic violent events against Israelis in Amsterdam after a football match in which Maccabi Tel Aviv played, and per the request of the State and the National Security Council due to the life-threatening danger posed to Israelis at this destination, the Company operated on short notice evacuation flights from this destination to Israel, including on Shabbat, at no additional cost to its customers and the customers of other airlines. In view of such events, the Company released a lenient commercial policy for its passengers on flights to and from Amsterdam departing by 16 November 2024 and ticketed by 8 November 2024.

Additionally, in November 2024, the Company launched a rewards campaign for regular and reserve duty IDF soldiers, allowing flight cancellations at no cost and baggage and seating benefits for preexisting and newly joined members of its customer loyalty program and new members who had served on reserve duty for 60 days or longer.

In December 2024, the Company launched the "Missed Moments" campaign for reservists listed as frequent flyer program members as well as newly joined members, under which the Company awarded reservists 100 frequent flyer points for every reserve duty day served in the aggregate starting 7 October 2023. In addition, reservists were also awarded baggage and seating rewards. As of Shortly Before Approval of the Report, the Company donated under the said campaign approx. 1.65 billion points to reservists. In December 2024, as part of the said campaign for reservists, the Company's competent organs approved the receipt of a discount to be given to the Company by the FF Company in connection with the accrual of frequent flyer points. For further details, see Note 21 to the Financial Statements.

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., see Section 8.2 below.

Lenient commercial policy for the Company's customers

Since the outbreak of the War, the Company released a lenient cancellation and change policy for its customers, which has been extended from time to time, against the background of and depending on security events. This policy allowed customers seeking cancellation of their tickets to receive a full-value voucher for future use in accordance with the terms and conditions determined by the Company and allowed a change in tickets with no change fee (and with payment of price differences in relevant cases). As of Shortly Before Approval of the Report, the Company implements a lenient and extended cancellation and change policy for specific demographics, with an emphasis on security forces and military reserve personnel.

Furthermore, in view of the security situation, the Company has announced the extension of the term of flight coupons that expired on 31 December 2024 by one more year, such that they expire on 31 December 2025.

Cyber and information security measures

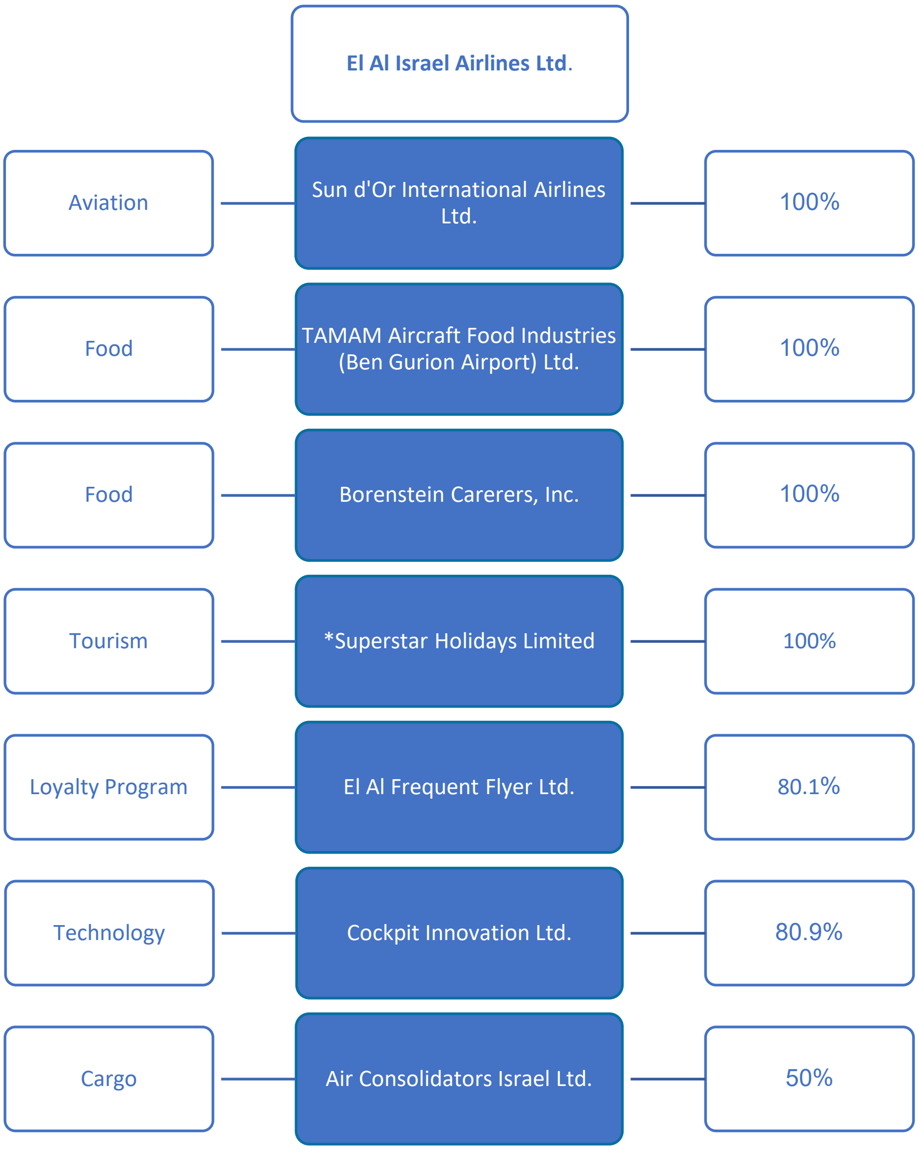
As a rule, the Company manages cyber risks in times of routine and emergency. In view of the continuation of the War, and against the backdrop of significant increasing cyberattacks and their sophistication against significant Israeli companies in the market, including the Company, the Company continues to invest significant additional resources in cyber and information security. In this context, the Company continues to take additional actions to strengthen defense systems and increase its technological emergency preparedness and raise the awareness, vigilance and alertness of its employees in the field of cyber and information security. The Company also continues to carry out ongoing internal control and monitoring in the field, 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.

Some of the information specified above constitutes forward-looking information, within the meaning thereof in the Securities Law. Forward-looking information as aforesaid 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. The materialization of some of the aforesaid information is dependent on the occurrence of events which are beyond the Company's control, including materialization of any of the risk factors specified in Section 8.16 below, which may cause this information not to materialize or to materialize in a materially different manner than the Company estimated.

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):



*The company is taking measures for its voluntary liquidation.

For details about El Al Israel Airlines Gulf FZCO, see Section 8.7.1(h) below.

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", whose purpose is to maximize the profitability of its entire route network.

Accordingly, in this report, information is presented regarding the operations of the Company and the Group's companies 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 April 2024, the Company raised capital through the offering of a package comprising shares and warrants.

For further details, see immediate reports released by the Company on 31 March 2024 (Ref. 2024-01-029338 and 2024-01-036387) and Note 18 to the Financial Statements.

4. Distribution of Dividends

In 2023-2024, no dividends were distributed.

As of the Report Date, the Company's balance of profit available for distribution totals approx. $654 million.

The Company is in advanced negotiations with the State on the mitigation of the Company's obligations as set forth in additional agreements with the State over the years 2021-2022, including as relating to the restriction of dividend distributions.

For further details regarding restrictions on the distribution of dividends in the agreement with the State, see Note 18 and Note 21 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 A.3 of the Board Report.

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

6.1 Developments in the International Airline Industry

The international airline market is affected by the security and political situation, the global economic situation and by special events, such as wars, the outbreak of pandemics and natural disasters in the world in general and in specific regions in particular.

IATA's assessment of the international airline industry's profitability in the Report Year

According to IATA's assessment released in December 2024, airline profits are expected to be high in 2024, despite the increase in operational costs arising also from longer flight routes as a result of airspace restrictions in several regions around the world. In addition, airlines had to cope with delays in the supply chain, including delays in aircraft deliveries, which also caused passenger capacity limitations. The delay in aircraft supply further resulted in the use of older aircraft, leading to higher fuel and maintenance costs.

The increase in the airline industry's revenues in 2024 arose from the high demand in the industry as compared with a limited increase in the capacity offered by airlines, due to the aforesaid supply chain difficulties. This trend was reflected in an increase in the load factor.

According to IATA's assessment, the net profit forecast for 2024 is approx. $31.5 billion, with a net profit margin of approx. 3.3%.

The following table presents key data according to IATA in relation to the airline industry's international operations of passenger and cargo air carriage in 2022 and 2023 as well as an estimate for 2024:

	2024 Estimate[1]	2023[2]	2022
Change in total industry revenues	6.2%	23.0%	44.1%
Growth in traffic (revenue passenger kilometers (RPK))	11.2%	36.8%	64.9%
Growth in capacity (available seat kilometers (ASK))	10.1%	31.1%	40.1%
Passenger load factor (PLF)	83.0%	82.2%	78.7%
Change in cargo traffic[3]	11.8%	(1.7%)	(8.1%)

IATA's assessment of the international airline industry's profitability in 2025

IATA predicts that these trends, and particularly the trend of demand that exceeds the supply of seats in the industry, will also continue in 2025. Therefore, according to IATA's forecast, airlines' revenues in 2025 will exceed the $1-trillion bar, with a net profit of approx. $36.6 billion and a net profit margin of ~3.6%, representing a historical record for the airline sector.

Furthermore, the projected number of passengers in 2025 is expected to cross the 5-billion bar for the first time, coming up to approx. 5.2 billion passengers, rising ~6.7% compared with 2024.

IATA notes that given geopolitical and economic uncertainty, the most significant risks for the airline industry are escalation in the state of the wars in Europe and the Middle East, significant uncertainty following the new administration in the U.S., inter alia, in relation to tariffs, trade wards and inflation and a change of the trend in fuel prices.

IATA's detailed assessment may be found at: https://www.iata.org/en/pressroom/2024-releases/2024-12-10-01/

IATA's estimates and assessments regarding the global airline industry as specified above, including passenger traffic, international capacity and the expected profitability in the airline industry, as well as identification of the significant risks for the airline industry, are forward-looking information, as defined in the Securities Law. This information is not based on the Company's assessments and is based on IATA's assessment only. To the best of the Company's knowledge,

[1] The change percentage is presented in relation to 2023 according to such data as published by IATA. The source of IATA's data, assessments, estimates and forecasts in relation to the Report Year are preliminary. Final data for the Report Year are expected to be published by IATA in June 2025 as part of the World Air Traffic Statistics.
[2] Some of the 2022 and 2023 data in the table have been updated by IATA following adjustments made thereby to past data.
[3] Until 2023 (including the IATA forecast released at the end of 2023), IATA released the change percentages that included both cargo and postal traffic. In 2024, IATA released changes in cargo traffic only. Therefore, the data for previous years were updated accordingly.

IATA's assessment is based, inter alia, on the trends of change in the airline and tourism industry in recent years and the expected developments therein, and is affected by the economic, security and geopolitical situation in Israel and worldwide. Therefore, the actual figures may be materially different to the estimate specified.

6.2 Developments in the Airline Industry in Israel

International passenger traffic to and from BGA in the Report Year totaled, according to the IAA's data, ~13.9 million passengers, down ~34% year-over-year. For further details regarding data on passenger traffic at BGA, tourists entering Israel and residents departing from BGA, and data regarding cargo traffic entering and exiting BGA, as well as the impact of the War on the annual figures, see Section A.2 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.

For details regarding the impact of the War on the Company's operations, see Section 1.2 above and Note 1 to the Financial Statements.

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 shortly before the publication of the 2003 Prospectus (Resolution SE/14 of 19 May 2003) in relation to the Company's appointment as "Designated Carrier" on all routes; immediately prior to the publication of the 2003 Prospectus it acted as "Designated Carrier" thereon, and after such date, several government resolutions were adopted determining, 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(b) 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 cancelations. 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

(a) International developments – for details regarding international developments in the operating segment, see Section 6.1 above.

(b) Developments in the Israeli market – for details regarding developments in the Israeli market in the operating segment, see Section 6.2 above.

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 commercial international airlines, including low-cost airlines (as defined in Section 7.1.9 below) and charter airlines. The intensification of competition is expressed, inter alia, in greater diversification of destinations and increased frequency of flights operated by airlines. With the War at the background, foreign airlines intermittently cancelled and resume 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. Such changing situation has led to frequent changes and increased uncertainty as to the scale of the foreign airlines' 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. In addition, 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. For further details about the restrictions imposed on the Company pursuant to the Special State Share, see Section 8.11.9 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, low-cost airlines and charter airlines. 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 transportation by all-cargo aircraft 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, subject to regulation 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 these agreement types, see Section 7.1.9(a) of the Corporation's Business chapter in the 2022 periodic report.

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 customer loyalty programs, as part of program collaboration agreements which enable, inter alia, 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 has been the cause of a significant part of the 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, has resulted, in times of normalcy, in 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, Canada and Russia.

Furthermore, in September 2020, agreements were signed between Israel and several Arab countries in the context of the "Abraham Accords". Consequently, new aviation agreements were signed between Israel and other countries, including the United Arab Emirates, Bahrain and Morocco. In addition, and following the "Abraham Accords", the Israeli airlines, including the Company, received permission to fly over the airspace of Saudi Arabia and Oman. As of Shortly Before Approval of the Report, the Company does not operate flights over the airspace of Oman in view of adjustments the Company has made to its route network as a result of the War, as specified in Section 1.2 above. For further details regarding the Company's significant competitors, see Section 7.8 below.

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 ~50 direct destinations around the world, 6 of which were destinations in North America, 5 were destinations in the Far East, Africa and the United Arab Emirates, and the rest were in Europe.

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 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, as specified in Section 1.2 above.

In addition, 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 for each flight 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 A.2 of the Board Report.

(b) Transatlantic routes

During the Report Year, the Company operated scheduled flights to 6 destinations in North America, including New York, Newark, Miami, Los Angeles, Boston and Fort Lauderdale, while at the height of the summer season, the Company operated ~50 weekly flights to transatlantic destinations.

In the current winter season, the Company operates up to 44 weekly flights to transatlantic destinations.

As of the 2025 summer season, the Company will add flights to these destinations.

(b)(1) Routes to Europe

As of Shortly Before Approval of the Report, the Company operates scheduled flights to 24 destinations in Europe, including London (England), Paris (France), Amsterdam (Holland), Athens (Greece), Rome (Italy) and Barcelona (Spain). In addition, Sundor operates flights to 16 routes in Europe, including Larnaca (Cyprus), Warsaw (Poland), Kishinev (Moldova), Thessaloniki (Greece), Tbilisi (Georgia) and Porto (Portugal), and as of the Report Year, to additional destinations as well, including destinations in the Mediterranean Basin. As of the 2025 summer season, Sundor will also operate flights to Tirana (Albania), Mikonos and Lefkada (Greece).

Furthermore the Company has announced the suspension of operations on the routes to Istanbul (Turkey) and Dublin (Ireland). In the Report Year, flights to Kiev (Ukraine) were still suspended, and as of December 2024, the Company suspended operations to Moscow (Russia), in view of the geopolitical situation in Ukraine and Russia. For further details regarding adjustments to the Company's flight schedule in view of the War, see Section 1.2 above.

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

In the Report Year, the Company operated scheduled flights to 5 destinations, making adjustments to the flight routes upon outbreak of the War and given its persistence, including a cutback in its flights to Dubai (United Arab Emirates) with flight operations restored to their usual scale at the end of October 2024. The Company has also suspended operations on the Johannesburg (South Africa) route since the end of March 2024, in addition to destinations to which flights had been suspended upon the outbreak of the War (Sharm El Sheikh (Egypt) and Marrakesh (Morocco). For further details regarding the adjustments made by the Company to its flight schedule in view of the War, see Section 1.2 above.

Moreover, upon outbreak of the War, following the change in the length of the route on flights to the Far East when the War erupted, the Company decided to postpone the launch of the routes to India.

In addition, from the spring 2024 season, the Tokyo (Japan) route began operating year-round instead of on a seasonal basis.

The Company's intentions as specified above, including with respect to the opening, suspension or closing of routes and adjustments to the route network 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 estimates, to the best of its judgment as of Shortly Before Approval of the Report. Materialization of these intentions is dependent, inter alia, on the occurrence of events that are beyond the Company's control, including the risk factors specified in Section 8.16 below.

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 adjustments to its route network as specified in Sections 1.2 and 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 ("Dreamliners"), 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 2 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 A.3.2 of the Board Report.

  In the Report Year, the Company continued working to gradually restore the Wi-Fi system. The work plan for installation of the Wi-Fi system is spread out over several years. As of Shortly Before Approval of the Report, Wi-Fi systems have been installed in several 737 aircraft. The Company expects to continue with Wi-Fi installations in 2025.

  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. For details regarding the Company's Matmid Frequent Flyer Program, see Section 7.6.3 below. For details regarding Group's customer types and the Company's credit risk management policy vis-à-vis its customers, 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, buying the El Al Protect service allowing cancelation of flights in exchange for credit vouchers, and holding bookings for 48 hours before ticketing, through the Company's website.

Since December 2024, 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 2023.

Indirect sales

The Company's main distribution channels are travel agents (including general sales agents, online travel agents, and metasearch engines), 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(a) below.

Advertising and marketing

In February 2023, the Company launched a new advertising and branding language, recruited a presenter and launched the ambassador team, which supports the Company's activities on social media. In the Report Year, the Company launched campaigns that strengthened the bond with the customers.

In September 2024, the Company engaged with an advertising agency for the provision of television, radio, newspaper and billboard advertising services and digital advertising services.

Customers and service

Further to the Company's engagement in 2023 with a new chef to head the culinary department, the Company has completed replacement of its menus in all the kitchens in Israel and in the world, and is working to update the menus from time to time. In the Report Year, the Company replaced the amenity kits for premium passengers and introduced a new wine menu.

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 digital system for making bookings, 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 system allows supervision of management of customer service and use of the capacity of the Company's aircraft by calculating weight and balance by weighting the calculated data. The agreement with Amadeus, which regulates these services, is in effect until the end of 2025, with an option to extend it until the end of 2027. 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. As of February 2022, an amendment to the said law was approved, according to which all enforcement proceedings with respect to the Polish standards will be suspended for 24 months until Q1/2024.

As of Shortly Before Approval of the Report, no notices were received at the Company's offices regarding the renewal of enforcement by the Polish authorities.

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 Europe and North America are the Cargo.one system and the Freightos 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 (Cargo Web).

7.6.3 Matmid Frequent Flyer Program ("FFP")

FFP activity

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 and on flights in respect of which the Company has codeshare agreements.

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

The Company has agreements which allow for FF 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 FF 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.

Furthermore, FF 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 FF 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 13D 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". Each status level entitles its members to various benefits.

During the first six months following the outbreak of the War, the FF Company made adjustments, extending the validity of premium statuses that were about to expire on a special monthly basis. In addition, during the period of the War, the FF Company adopts a lenient policy, whereby it specifically extends 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 ~3.3 million members.

The percentage of passengers who are FFP members out of all passengers was approx. 43% in the Report Year, reflecting a growth of ~23% compared to 2023.

Agreements with credit 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 Companies**") for new engagement on the issuance and operation of branded credit cards (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 Companies will issue branded Mastercard or combined Diner-Mastercard credit cards to FFP members. The Credit Companies will exclusively issue "bronze" branded credit cards, as well as "premium" branded credit cards, which will grant customer that hold such cards a unique value offer by means of various rewards, according to the type of the card and the volume of transactions on the card, on a non-exclusive basis.

In accordance with the Agreement, in 2019, the Credit 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 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 and sales promotion of the branded credit cards, including marketing budgets from the Credit Companies, in addition to the marketing budgets expected to be received from the Mastercard company. The Agreement further provides that all the obligations that apply by law to an issuer, processor operator and acquirer shall apply to the Credit Companies.

On 26 September 2019, the Company signed a trilateral agreement with the Credit 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); the grant of partial exclusivity to Mastercard in relation to certain types of premium cards; 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 members of the Company's FFP. 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 (in this section: the "**Agreement**").

Under the 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 a subsidiary, as specified in this section below, on July 1, 2022, the Company endorsed its rights and obligations under the credit agreements to the FF Company in accordance with the conditions agreed upon by the parties. In the Company's estimation, consummation of the aforesaid engagements will allow the FF Company to continue acting for gradual increase of the number of branded credit card holders who earn FF points, given the unique conditions and benefits to be offered to FFP members.

As part of the FFP's engagement with Cal Group, a collaboration agreement was signed with Cal Group and Shufersal, under which FFP members and Fly Card holders benefit from accelerated point accumulation opportunities at Shufersal chains. This agreement is scheduled to end in June 2025.

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 ~450 thousand cards.

In the Report Year, there was an increase of ~24% in the transaction turnover from Fly Card operations compared with 2023.

<u>The FFP transaction</u>

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

As of the Report Date, the FF Company employed 22 employees and several outsourcing service providers.

As detailed in Section 7.6.3 of the 2022 Periodic Report, 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.

Additionally, in June 2023, 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.

As of Shortly Before Approval of the Report, the Company holds 80.1% 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.

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.

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 shall take effect in April 2025. As part of the expected changes, the current terms of the plan that pertain, inter alia, to premium frequent flyer status eligibility will expire, and the New Diamond Plan will be launched, which will be limited to nine months. The New Diamond Plan includes, inter alia, new thresholds for status upgrades, and an updated mechanism for status review that shall determine 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") that are designed for FFP members with gold or higher status, who hold Fly Card credit cards, and fly with the Company. The new status thresholds and the Fly Plus rewards, shall take effect within the framework of the New Diamond Plan in April 2025.
For details regarding the revenues from the FFP reward plan, including revenues from accrual and bonuses from the Credit Companies, see Note 20 to the Financial Statements.

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 the passenger sales in the period between January 2025 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 breakdown of passenger traffic at BGA by airline type, see Section A.2 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) <u>Significant competitors – by airline type</u>

Commercial airlines

Commercial airlines 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, customer loyalty programs, food and beverage service during the flight, etc.

The increase in the activity of foreign airlines in recent years at BGA allows those airlines that operate an international hub4 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 airlines

Low-cost airlines, which are also commercial airlines, have 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 with an option to purchase additional services for payment (ancillary products), which generally offer one cabin class on their flights. This cost structure allows these airlines to usually offer very competitive prices.

Upon outbreak of the War, most of the foreign airlines, including some of the low-cost airlines, canceled their flights to Israel, with low-cost airlines intermittently cancelling and resuming some of the flights to and from Israel during the Report Year. Until Shortly Before Approval of the Report, most of the significant low-cost airlines commenced the gradual resumption of flight operations to and from Israel.

Charter airlines

Charter airlines 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 a decrease of ~38% in charter traffic (excluding the activity of Sundor) to and from Israel compared to 2023.

As of Shortly Before Approval of the Report, the gradual return of some of the foreign airlines has begun. 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 A.2 of the Board Report.

[4] 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.

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 31 foreign airlines (in addition to Challenge), which operated all-cargo aircraft on flights to and from Israel.

(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 take 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.

In view of the aforesaid, in the Report Year, a ~40% decrease was recorded in passenger traffic at BGA on transatlantic routes compared to 2023.

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 commercial airlines (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 ~34% decrease was recorded in passenger traffic at BGA to Europe compared to 2023.

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 Hong Kong, China, Korea 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 ~40% decrease was recorded in passenger traffic at BGA to the Middle East and Africa compared to 2023, and a ~10% decrease in passenger traffic at BGA on routes to the Far East compared to 2023.

(c) Expected competition in 2025

As stated in Section 1.2 above, in view of the War, most of the foreign airlines stopped their flight activity in Israel. Some of the said foreign airlines have resumed operations in the Report Year or are expected to resume operations in Israel in 2025, and according to various reports, the Company estimates that the resumption of foreign airlines' operations will be conducted gradually, with frequency and routes operated on a partial basis.

According to published information held by the Company and As of Shortly Before Approval of the Report, in Q1/2025, the total supply of seats at BGA is expected to drop by ~30% as compared with the supply of seats at BGA in Q1/2023, as a result of a decrease in other airlines' supply of seats, despite the increase in the number of Company seats. Furthermore, from Q2/2025 and until the end of 2025, the total supply of seats at BGA is expected to remain low relative to the supply of seats in the same quarters in 2023, but this trend is expected to abate depending on the rate and scale of return of the foreign airlines.

To emphasize, the aforesaid information is projected information as of the report release date and it may change according to the geopolitical developments in the region and due to other factors.

The Company's assessments regarding expected competition as specified above, including the timing of the foreign airlines' resumption of activity in Israel in 2025, and the projected supply of seats at BGA, constitute forward-looking information, within the meaning thereof in the Securities Law, which is based on the Company's current estimates. These estimates, which largely pertain to third parties and their activity and are dependent on the occurrence of events that are beyond the Company's control, including the continuation and intensification of the War, as well as the materialization of any of the risk factors specified in Section 8.16 below, may not materialize (in whole or in part) or materialize materially differently to the Company's assessments and forecasts.

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 commercial airlines and on the part of low-cost airlines, has led to a significant increase in the seat capacity offered on these routes and a decrease in the Company's market share. The aforesaid notwithstanding, with the outbreak of the War, there was a significant increase in the Company's market share, as specified in Section 1.2 above.

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 has made adjustments to its strategic plan, such that it increase the supply of seats along with an increase in the supply of other airlines in BGA, maintaining the Company's strength at its operations base with a market share of ~25% of passenger traffic. For details on the activities conducted by the Company, see below.

The positive factors that favorably affect or may favorably affect the Company's competitive position 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 competitive position 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.

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 as well as an important platform for the retention of the Company's customers. 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, including the agreement with Delta Airlines, see Section 8.13 below.

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

  The Company has in service: 12 Boeing 787-9 Dreamliner aircraft (four of which under ownership and eight under dry lease) as well as 4 Boeing 787-8 Dreamliner aircraft (all under ownership).

  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 fourth 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 2025.

  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, in an attempt to respond to the customers' needs according to their preferences, and at the same time contribute to increasing the Company's revenues.

✓ **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), 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

As of Shortly Before Approval of the Report, the Company's fleet comprised 46 passenger aircraft and one all-cargo aircraft, 29 of which are owned by the Company and 18 are leased by the Company (under Dry Lease).

For further 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 close 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 A.2.2 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 2025, the Company has the right to use (authorization) a built-up area of approx. 2,600 sqm plus an operational area of ~1,750 sqm which is used as a warehouse. The Company may terminate the agreement by prior notice of 120 days. As part of a project for the construction of TAMAM's new food factory, as described in Section 8.7.1(b) 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. Shortly Before Approval of the Report, this agreement was extended 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.

The IAA may terminate the agreement by giving the Company prior notice on grounds of essential needs of the IAA or in the event of suspension of activity in security- or safety-related circumstances. Due to overcrowding at the King David lounge, since May 2024, the Company has made access to the Dan Lounge available to its customers. In addition, at a time earlier than Shortly Before Approval of the Report, the interior of the King David Lounge was upgraded.

Terminal 1

Pursuant to an agreement with the IAA, the Company has the right to use (authorization) offices in a total area of ~46 sqm in Terminal 1.

Offices for the Company's cargo activity

Pursuant to the framework agreement signed between the Company and Maman - Cargo Terminals & Handling Ltd. (in this section: the "**Framework Agreement**", "**Maman**", respectively), 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 of an area totaling ~445 sqm 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) of a total area of ~270 sqm.

(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.

As of the Report Date, the total area of the FFP's offices is ~450 sqm (excluding parking areas). In addition, the Group leases an area of 150 sqm for simulators used for pilot training, in the Company's Visitors Center in Shoham.

(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, 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, 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.

The total cost to the Company of the premiums for the insurance policies specified above in the Report Year was approx. $11.8 million.

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. As noted, since December 2024, the Company has suspended operations to Moscow (Russia), in view of the geopolitical situation in Ukraine and 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 as a result of 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 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 banded credit cards marketed by the FF Company in collaboration with financial institutions. Trademark registration in Israel is effective for limited periods as prescribed by law and may be renewed at the end of each period. 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). 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.

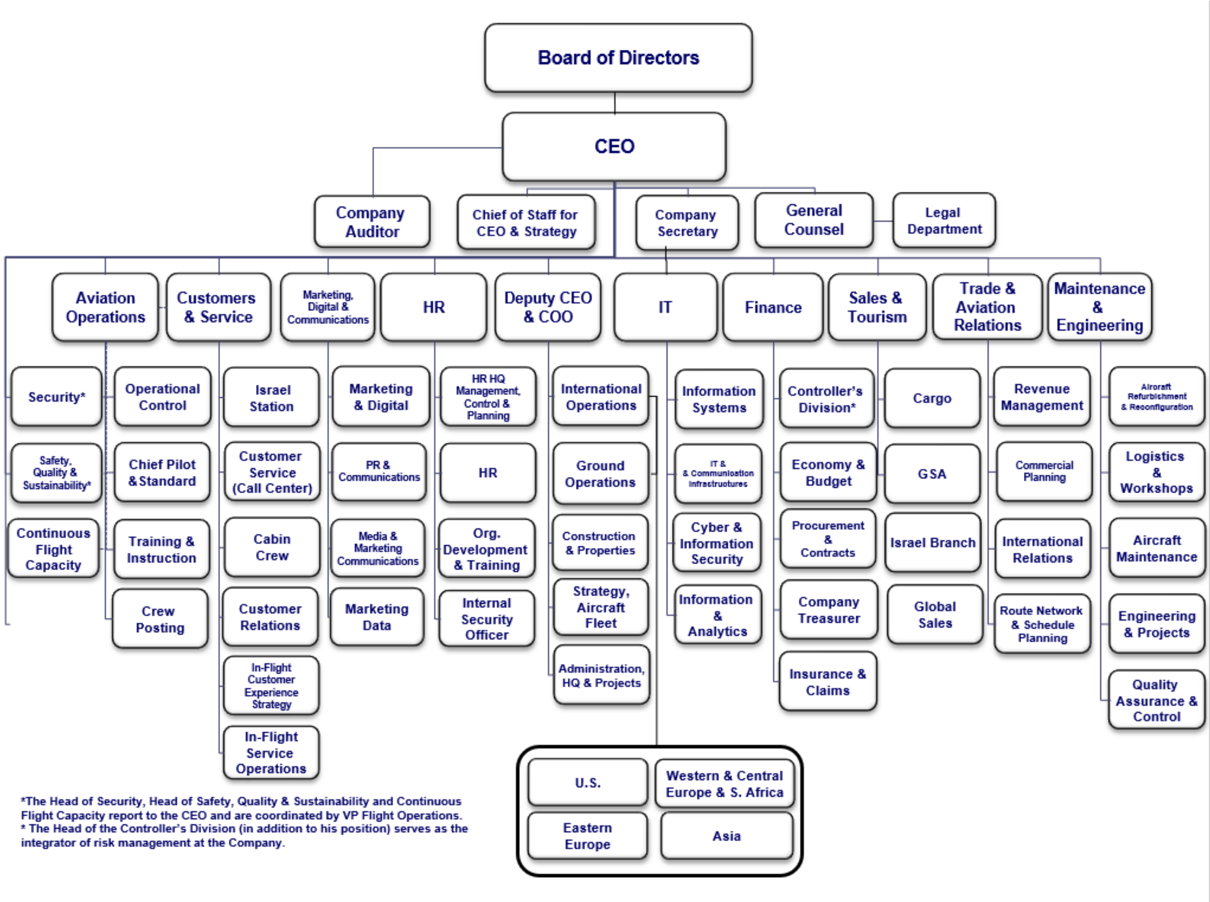
Various internet domain names have been registered in the Company's name, in Israel and overseas, which are valid for varying periods, in accordance with the registration rules in the various countries, with an extension option.

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 her duties by the management team, which serves as the Company's HQ and is comprised of a Deputy CEO-COO*, CFO, VP-General Counsel, EVP-VP Sales & Tourism, VP Aviation Operations, EVP-VP Customers, Service & Customer Experience, VP Maintenance & Engineering, VP Trade & Aviation Relations, VP Human Resources, VP IT and VP Marketing, Digital & Communications.

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



*Mr. Omri Cohen, Deputy CEO and COO, is scheduled to step down and cease serving as a Company officer on 20 April 2025. In this context, changes are expected in the Company's organizational structure.

8.4.2 Breakdown of employees

The following table presents a breakdown of the Company's permanent and temporary active employees in December 2022, 2023 and 2024:*

Position	December 2024	December 2023	December 2022
Permanent employees[5]	2,802	2,667	2,514
Temporary employees	2,527	2,110	1,816
Overseas	211	203	216
Total active employees*	**5,540**	**4,980**	**4,545**

*In addition, as of 31 December 2024, employees of the subsidiaries totaled 689.

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

[5] Including permanent first-generation and second-generation (follow-on generation) employees.

employees. The Company has 433 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).

The following table presents a breakdown of the Company's permanent and temporary employees in Israel and overseas divided into positions, in December 2022, 2023 and 2024:* *

Position	December 2024	December 2023	December 2022
Pilots	606	555	533
Flight attendants	1,363	1,213	1,091
Service	1,470	1,234	1,078
Maintenance	1,083	1,018	932
Rest of Company	1,018	959	911
Total El Al	**5,540**	**4,980**	**4,545**

* 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 most of the 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. The Company also holds courses and seminars for travel agents and cargo agents in Israel and overseas.

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 2022, the Company entered into an agreement with a company that specializes in building and operating pilot training centers, for the construction of a training and simulator center in Israel, to provide training for the Company's pilots. The training center began operating during the Report Year, with the Company acquiring in January 2025, an additional Boeing 737 aircraft simulator to add to its existing simulator for the Boeing 737 fleet, and two simulators for the Boeing 787 fleet, and which is expected to arrive at the training center in Israel in 2025. The Company estimates that the continued operation of the said training center is expected to generate savings relating to the costs of training and availability of the Company's pilots.

Upon the outbreak of the War, the Company made adjustments to the start dates of courses and training sessions, which had no effect on the Company's training program for the Report Year.

The Company's aforesaid estimations, including as relating to the date of receipt of another simulator for the Boeing 737 fleet, and regarding the effect of the training center's activity on the Company's expenses, constitute forward-looking information, within the meaning thereof in the Securities Law. These estimations are based on the performance of the agreement with the company that is building the training center and on the timetables thereunder being met, whereas external events over which the Company has no control may affect the progress of

construction of the center and its operation, including any of the risk factors applicable to the Company as specified in Section 8.16 below.

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**").	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
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
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
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	16 August 2022	31 December 2026

No.	Nature of the agreement, including relevant employee group	Date of commencement of the agreement	Date of expiration of the agreement
	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.		
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 administrative sector, and agreements regarding the performance of wet leases at the Company.	1 January 2023	31 December 2028
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

Below is a description of the special collective bargaining agreements signed during the Report Year and until Shortly Before Approval of the Report:

Aircrew agreement

On 30 January 2024, an agreement was signed between the Company and the Pilots Committee and the Histadrut, which establishes a series of agreements between the parties in view of the Company's desire to adapt the restrictions of the pilot employment agreements to the Company's strategic plan, including increasing the capacity and pace of pilot training at the Company.

The said agreement included agreements, *inter alia*, on changes and adjustments to the collective bargaining employment agreements of the pilots. The streamlining measures include, *inter alia*, direct onboarding of pilots for the Boeing 787 aircraft fleet, regulation of operating issues in pilot instruction and training, and regulation of issues in simulator activity in Israel, as well as payments that shall be granted to pilots in consideration for and against their undertaking for exhaustion of demands on the issues agreed on in the said agreement, including salary and employment conditions, and upholding industrial peace. The said agreement is in effect until 31 December 2025.

The Company estimates that the said agreements are expected to contribute to good labor relations, supporting the continuation of the Company's establishment and growth and realization of its strategic goals.

Company-wide agreement

On 30 January 2024, a special collective bargaining agreement was signed between the Company and the company-wide workers' committee and the Histadrut. The said agreement, which was signed further to the collective bargaining agreement of 8 July 2020 and further to the four agreements that had been signed with the aircrew, cabin crew, administrative and maintenance and engineering sectors in the period between July 2002 and February 2023, which regulates the key employment conditions of each sector, establishes a series of supplementary agreements between the parties on matters that regulated by the company-wide agreement, including flight tickets, welfare and some additional payments that had been discontinued under the recovery agreement, which exhaust any claim and demand of the unionized workers, and in the Company's estimation, the signing of the said agreement is not expected to have a material effect on the Company's business results. The said agreement is in effect until the end of 2025. For further details, see an immediate report released by the Company on 30 January 2024 (Ref. 2024-01-011847).

***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

As of Shortly Before Approval of the Report, there are no outstanding labor disputes against the Company.

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.

As of 1 April 2024 (starting with the April 2024 salary paid at the beginning of May 2024), the minimum wage for a full-time position in Israel has been updated and currently amounts to ILS 5,880 a month (for hourly workers – ILS 32.2 per hour).

In July 2023, the Regulations on Increased Enforcement of Labor Law (Salary Components Comprising the Value of a Working Hour and the Value of a Working Hour for Contract Workers), 5783-2023, were promulgated. These regulations include the salary components that comprise the 'value of a working hour' and the value of the working hour that is due, pursuant to extension orders and law, to contract workers in the fields of cleaning, guarding and security, and the food industry. In February 2024, a calculator was released for calculating the value of a basic working hour for contract workers in these fields.

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 or discounted flight tickets is limited according to the provisions of the said agreements and the Company's procedures, and as concerns directors – according to the compensation policy for Company officers.

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 collective bargaining employment agreements between the Company and the trade union in such country, or under employment agreements with the workers' representative body, and a minority 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 not established in a collective bargaining agreement, but rather are determined by the Company, according to the standard practice in the airline industry or with the national airlines of such countries. In some of the outbases personnel is employed under personal agreements or outsourced.

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.

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 for employees. 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. 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 6 June 2023, the meeting approved the terms of office and employment of the Vice Chairmen of the Board, Mr. Kenneth Neal Rozenberg and Mr. Darrell Hagler, for three years commencing 1 January 2023. 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. For further details, see the Additional Details on the Corporation chapter, and Note 21 to the Financial Statements.

The Board

On 13 March 2024, the meeting approved the reappointment of Rabbi Yitzhak Levy as an external director of the Company for an additional (second) term of office of three years, and the appointment of Adv. Iris Cibulski Havilio as an external director of the Company for a (first) term of office of three years, as of the date of approval by the meeting. For further details, see the Additional Details on the Corporation chapter.

On 19 September 2024, 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, Dr. Amnon Schreiber (independent director), Gavriel Maimon (independent director), and Yaacov Sheinenzon; (2) appointment to the Company's Board of Adv. Yifat Samet Shalit as external director for a (first) term of office of three years, from 1 November 2024. For further details, see the Additional Details on the Corporation chapter.

On 28 January 2024, Mr. Isaac Zinger stepped down from his office as an external director of the Company (first term). On 18 February 2024, Mr. Eyal Haimovsky stepped down from his office as an external director of the Company (third term). 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. On 26 January 2025, the meeting approved an update to the terms of office and employment of Ms. Ben Tal Ganancia, as of the date of approval by the meeting. For further details regarding the compensation to which the Company's CEO is entitled, see the Additional Details on the Corporation chapter and 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.

As of 14 February 2024, the title of Mr. Nadav Hanin was changed to VP Marketing, Digital & Communications of the Company.

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 (the "**Current 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 the Company's Current Compensation Policy. For further details, 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), and Regulation 29 of the Additional Details on the Corporation chapter.

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 Oil Company Ltd. ("**Paz**") and Dor Alon Energy in Israel (1988) Ltd. ("**Dor Alon**") for the respective supply of 50% and 50% 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 engaged with "Paz Aviation Services" 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 for a term of two years until the end of 2026. Most of the contracts are signed with suppliers after they win an RFP process and following commercial negotiations conducted between them and the Company, except for such stations where there is a single supplier. As of Shortly Before Approval of the Report, the Company has overseas jet fuel procurement agreements with ~11 suppliers.

(e) In the Report Year, the Company purchased ~50% of its total jet fuel quantity procurement that year (in Israel) from two suppliers (Paz and Dor Alon). The Company has two jet fuel suppliers overseas, from each of which it purchased over 5% of the total quantity of its jet fuel procurement in the Report Year.

8.5.2 Aircraft and engines

In recent years, supply chain difficulties have become a significant challenge for many industries, and primarily 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, 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 partes, 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 Dreamliners 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 and MAX 737 aircraft are intended to arrive equipped with CFM-made engines.

For details regarding the Company's engagement with Rolls Royce in agreements for acquisition of alternative engines and maintenance of engines for aircraft acquired and leased by the Company, and regarding the restrictions in the manufacturing process discovered in these engines, see Section 8.12 below and Note 10 to the Financial Statements.

In December 2024, the Company signed an agreement with the engine manufacturer CFM for the provision of engine maintenance services to the MAX 737 aircraft fleet and equipment with substitute engines.

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 such 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. See Note 5 to the Financial Statements with respect to the Company's trade receivables item. Additional details with respect to working capital are provided below:

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 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 (Compensation and Assistance for Cancellation or Change in the Terms of Flights), 5772-2012 and the amendment made thereto, see Section 8.11.2(h) below.

8.6.3 Credit policy

Customer Credit: Cargo or travel agents certified by IATA enjoy special payment arrangements in accordance with IATA instructions (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).

<u>The average credit amount and the average credit periods for the Company's customers and suppliers in each of the years 2024 and 2023 are as follows:</u>

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 between 7 and 14 days.

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 and in accordance with the standard provisions and work procedures of IATA and with cargo and travel agents. 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 deficit**

For details with respect to the working capital deficit, see Section A.6 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. In the Report Year, Sundor launched a new branding language that reflects its role as the Group's leisure brand, in line with the nearby vacation destinations it flies to. In addition, in the Report Year, for the first time in its history, Sundor first crossed the bar of one million passengers per year. As of the Report Date, Sundor had 23 employees.

(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.

As of the Report Date, TAMAM had ~483 active employees.

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 2025.

The new building will incorporate advanced processes and be 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.C and 10 to the Financial Statements.

As of Shortly Before Approval of the Report, the Company is funding the construction of the building by using the Company's own resources. For further details, see Note 10 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. As of the Report Date, Borenstein had 159 employees.

(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. Cockpit has set its sights on exposing the Company to innovative technologies throughout its diverse operating segments, incorporating innovative solutions into the Company's systems, and positioning the Company as an innovative company, as well as investing in companies found to be suitable and entailing potential for growth. Most of the startups in Cockpit's portfolio enjoy access to the Company's systems for development and integration purposes (Beta site), initial funding, professional advice, exposure of the product, opening of doors to the local and global market, and the possibility that the Company and/or its partners will be the startup's first significant customer. 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 the Report Date, Cockpit had 2 employees and several outsourced service providers.

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. As of the Report Date, ACI had 15 active employees.

(f) **El Al Frequent Flyer Ltd.**

For details about the FF Company, see Section 7.6.3 above and Notes 14, 19 and 21 to the Financial Statements.

(g) **El Al Israel Airlines Gulf FZCO**

In November 2021, the subsidiary El Al Israel Airlines Gulf FZCO was established in Dubai (United Arab Emirates) for the purpose of providing security services to Israeli airlines.

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.

8.7.3 Investments in other activities

For details regarding the submission of a non-binding offer to invest in Isracard Ltd. ("**Isracard**"), see the introduction to the Board Report.

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

(a) Ratio of loan balance to collateral

For details see Note 14 to the Financial Statements.

(b) Restrictions on transfer of control

For details see Note 14 to the Financial Statements.

(c) Acceleration by lenders

For details 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 million. The credit balance used at such time was approx. $25 million. As of Shortly Before Approval of the Report, the Company has credit facilities in the sum of approx. $26 million. The credit balance used as of such date was approx. $5 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 Tax

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 and ESG Report for 2023, in accordance with the Global Reporting Initiative (GRI) reporting standards. In 2025, the Company intends to release an ESG Report in relation to 2024, 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 2024 rating, which awarded a Platinum BB rating under the Maala ESG Index and three-star diversity score.

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 Sustainability and environment

The Company's conduct on sustainability and environmental issues

The Company assigns great importance to, and dedicates resources and time to, addressing sustainability and environmental issues. Given the Company's international nature, it is subject to different regulatory provisions, occasionally at the same time (Israeli regulation, foreign regulation, international treaties and additional arrangements). To accomplish its environmental goals and comply with regulatory requirements, the Company acts to improve environmental performance in the various aspects of its operations.

In this context, in the Report Year, the Company designated professional manpower to address the variety of environmental issues with assistance from outside experts. Further in the Report Year, the Company initiated steps for upgrade, replacement and streamlining of systems with the aim of reducing fuel consumption. The Company also followed international standards to improve environmental performance.

In 2023, the Company voluntarily 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. Earlier than Shortly before Approval of the Report, the Company was certified by IATA for compliance with this program.

Environmental risks and management methods thereof

Environmental risks related to the Company's operations:

The Company's operations, as an international airline, are affected by significant environmental risks, particularly by the Company's conduct of environmental regulation.

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

Greenhouse gas emissions and air pollution: In view of the airline industry's contribution to global greenhouse gas emissions, international regulation of the matter has developed, including the directives of the emissions trading system of the E.U. (EU ETS) and Britain (UK ETS) and ICAO's CORSIA scheme, which mandate the purchase of emission allocations and reduction of the carbon footprint, subject to the provisions of these plans. Of note, future restrictions on petroleum-based aviation fuels may compel the Company to prepare for use of high-cost sustainable aviation fuels (SAF). Such regulation may lead to the imposition of fines due to emission deviations, an increase in operating costs and additional costs, including the need to set up the required infrastructures.

Climate change: Climate change, such as extreme weather phenomena, might affect the Company's operating activities and even lead to the cancellation and delay of flights. Higher temperatures affect engine performance, may limit takeoff and landing weights, and might require technological upgrades within the aircraft fleet. Risks to airports where the Company operates, including erosion of landing runways and changes in ground infrastructures, may also affect the Company's operating activities.
As of Shortly Before Approval of the Report, the Company has started mapping climate risks that might adversely affect its current operations, including disruptions of the Company's takeoff and landing schedules and flight routes, damage to airport infrastructures, operational disruptions, etc.

Noise: Aircraft noise is an environmental nuisance, particularly in inhabited areas. Noise reduction regulation may limit the operating hours of airports and affect takeoff and landing schedules.

Many countries, including Israel, have adopted 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 arise from government resolutions and instructions by relevant authorities. In addition, the Aviation Law, 5771-2011 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. Of note, following the outbreak of the War and for a certain period, BGA operating hours were changed, cancelling the takeoff curfew.

On 15 May 2024, Draft Aviation Regulations (Nighttime Movement Restriction and Noise Quota at the Ben Gurion Airport), 5784-2024 (in this section: the "**Draft Regulations**") were released for public comment. 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 the London Heathrow Airport. In the Report Year, the Company submitted its response to the Draft Regulations. As of Shortly Before Approval of the Report, discussion of the public comments that have been submitted has yet to be held. 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.

Waste management: International regulation imposes enhanced 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, cardboard and other recyclable materials, and also incorporates changes to reduce the waste generated by its operations. In the Report Year, the Company launched a project for the reduction of food waste, and in 2025 it is expected to implement the recommendations formulated in connection with this project.

The assessment as specified above, including the Company's implementation of the recommendations in connection with the project for reduction of food waste, constitutes forward-looking information as defined in the Securities Law, which is based, inter alia, on the information held by the Company at this time, the materialization of which is uncertain or not wholly controlled by the Company, and it is affected, inter alia, by the materialization of any of the risk factors specified in Section 8.16 below.

Westwater: 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, no exceedance was found in the Company's wastewater in the Report Year.

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 survey 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.[6]

Soil survey plans for the areas of the fueling stations were submitted to and approved by the Ministry of Environmental Protection. Both soil surveys discovered soil contamination by volatile organic compounds (VOCs) and total petroleum hydrocarbons (TPH), which is typical for fuel leaks. Given the findings, the Company is examining the possibility that the contamination might reach water sources. In accordance with the general requirements of the Ministry of Environmental Protection, in view of the concentration of contaminants found in the soil, soil remediation will be required, and the Company is following the instructions of the Ministry of Environmental Protection and the Water Authority on the performance of monitoring and remediations processes. Of note, the Company has included provisions in its Financial Statements in respect of the measures required for soil remediation, as noted.

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.

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

Impactful provisions of law that pertain to the environment and climate

The Company is subject to comprehensive environmental and climate regulation. Such regulation addresses both the aviation operations and the related ground operations of the Company.

The Company invests extensive financial and administrative resources in order to comply with the regulatory environmental and climate provisions applicable thereto.

In the Report Year, the Company invested resources in mapping environmental gaps and risks, as part of which it engaged expert environmental protection consultants and service providers to conduct inspections for identification of environmental gaps.

Environmental 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 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 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.

Climate regulation and its effects

The Company takes part in the Emissions Trading Scheme (ETS), the E.U. and British regulation for supervising, reporting and ascertaining greenhouse gas emissions.

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.

In accordance with the commitment of the State of Israel, and in coordination with the Civil Aviation Authority of Israel, the company reports under CORSIA (Aviation International for Scheme Reduction of Offsetting Carbon) on greenhouse gas emissions in its current operations. Under the scheme, participating airlines are designated an annual quota of permitted greenhouse gas emissions based on the airlines' projected fuel consumption reports. To the extent that greenhouse gas emissions exceed the permitted quota, the airlines participating in the scheme are required to offset the emissions by acquiring specifically designated ICAO-supervised carbon certificates. As of the years 2021 to 2023, according to a calculation formula on behalf of ICAO as provided to the Company by CAAI, the regulator entrusted with the issue, the Company has not reached an emissions quota that requires offsetting its carbon emissions. As of Shortly Before Approval of the Report, the regulatory process that regulates the application of the offsetting mechanism in the State of Israel in the Report Year under CORSIA has yet to be completed.

The Company's aforesaid assessments, including the implementation of CORSIA by the Company, as well as additional activities and the Company's assessments in relation to environmental, climate and noise management which are dependent on third parties, 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 the effect it will have on the Company's operations.

The Company's climate and environmental risk management policy, implementation thereof and supervision thereon

Implementation of the measures taken by the Company in accordance with the corporate risk map as noted includes several key steps:

Improvement of the aircraft fleet and reduction of fuel consumption – The addition of new and more cost-effective aircraft to the fleet, optimization of flight routes and use of air traffic management technologies to reduce fuel consumption and emissions.
In its aviation operations, the Company takes various measures on the operational level to save on fuel consumption and reduce greenhouse gas emissions. Among other things, from time to time, the Company decommissions outdated aircraft and introduces new aircraft with better energetic efficiency and lower emission levels. The Company also decommissions or refurbishes outdated and inefficient equipment and replaces it with equipment that complies with strict energetic standards. Furthermore, the level of carbon dioxide emissions by engines fitted in the 787 Boeing aircraft introduced into service is lower than that of previous aircraft that are decommissioned. As additional measures for emission reduction, the Company uses advanced technologies to maximize engine efficiency, improve flight management, reduce the weight of the aircraft and the equipment it contains, and more.

Emission offsetting mechanisms – Participation in carbon offsetting schemes and conformation to international regulations that apply to the industry.

Compliance with regulation and transparent reports – Periodic reports to regulatory authorities and stakeholders, according to ESG reporting requirements.

Supervision and control of the implementation of the measures taken by the Company are conducted by means of internal mechanisms that include:

- A risk management committee of the Board of the Company, which is entrusted with approval and review of the Company's risk strategy, including environmental risks.

An internal steering committee headed by the Company's CEO, which has been operating for two years or thereabouts, with the purpose of promoting promote ESG initiatives.

- The Company has a professional team working with the support of external advisors to monitor legislative developments in Israel and worldwide

- External control by outside functions that provide the Company with support on ESG issues and on the corporate risk map issue and assist the Company in its compliance with environmental indices.

In the Report Year, the Company's investments in environmental issues as specified above, including investments expected in the near term, amount to approx. $1.2 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 will act 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. In the Report Year, the Company appointed a donations committee 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.

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 acted 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, and in the Report Year, it started to map out the material issues in the framework of a responsible supply chain, streamlining the work processes vis-à-vis its suppliers. In the Report Year, the Company started to incorporate the principles of the Code of Ethics into the agreements of engagement with its suppliers.

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(i) below.

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, sick children, 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 IDF Disabled Veterans Organization, "Krembo Wings", the Ramon Foundation, "Larger than Life", "Shalva", the Rakia pre-military program, and others. 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 renewed a project for promotion of social involvement, in which representatives of various Company divisions work to promote the Company's activities in the community.

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 ZAKA, the Association for Israel's Soldiers, the IDF Widows and Orphans Organization and the IDF Disabled Veterans Organization. In addition, the Company reached out to Jewish communities across the U.S. and Europe, offering them the opportunity to purchase flight vouchers for future flights, against which, it allocated 10% of each voucher as a donation to FIDF and the Shoresh nonprofit organization which supports projects for IDF soldiers and residents of the Gaza Envelope. As a token of appreciation for military reservists, the Company granted flight tickets and additional benefits to allow them to take a break.

For further details about the Company's community activities in the Report Year, see Section 1.2 above.

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, and assisting the residents of the Gaza Envelope with harvesting.

For details with respect to the total donations made by the Company in the Report Year, see Section C.1 of the Board Report.

8.10.3 Corporate governance

Two external female directors were appointed to the Company's Board in the Report Year – Adv. Iris Cibulski Havilio and Adv. Yifat Samet Shalit, with the percentage of women on the Company's Board (all of whom are external directors) being 25% as of Shortly Before Approval of the Report. The measures taken by the Company in connection with the foregoing reflect its commitment to gender diversity on the Board. For further details about the education and expertise of the external 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 by the Board of the Company. The Company is expected to continue arranging for additional policy documents in 2025 as well.

In addition, in the Report Year, the Company's Board determined that the responsibilities of the market risk management committee would be expanded, and in this context, the risk management committee on behalf of the Board was appointed (in lieu of the market risk management committee). In the Report Year, the corporate risk map was formulated as specified in Section 8.16 below.

Moreover, the Company intends to release an ESG Report in 2025 which will follow GRI standards and address the Report Year.

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.

On 15 May 2024, a draft was released for public comments, of the Aviation Regulations (Nighttime Movement Limits and Noise Quota at Ben Gurion Airport), 5784-2024 (in this section: the "**Draft Regulations**"). The Draft Regulations propose new regulatory provisions aimed at reducing noise during nighttime hours around BGA, similar to the approach used at some airports around London, unlike the current practice in Israel. The Company submitted its response to the Draft Regulations. As of Shortly Before Approval of the Report, the final version of the Draft Regulations, which will be forwarded for discussion by the Knesset's Economic Committee, has not yet been released.

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

In November 2018, an amendment was made to the Competition Rules (Block Exemption for Arrangements between Air Carriers) (No. 2) (Temporary Provisions), 5774-2013 (the "**Block Exemption Amendment**" or the "**Amendment**"). According to the block exemption, 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 Amendment. 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 novelty in the Amendment is the application of a self-assessment regime to all arrangements between air carriers that have not fallen within the block exemption until now and required specific approval by the Commissioner. 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.

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.

As of Shortly Before Approval of the Report, 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 at a considerable rate as compared with the period preceding the outbreak of the War. In view of the foregoing, and given claims raised against the Company's conduct during the War, the Competition Authority sent the Company requests to receive information , and the Company has provided such requested information as required.

g) **Legislative provisions which apply to the Company as a "multiform company"**

(1) The Company is a "multiform company", within the meaning thereof in the Government-Owned Companies Law. In other words, a company which is not a government company and for which up to half of the voting power in its general assembly or the right to appoint up to half of its directors are held by the State.

For details with respect to the agreement between the Company and the State and the controlling shareholder, including a specification of the liabilities, see Note 21 to the Financial Statements.

(2) Chapter H2 of the Government-Owned Companies Law authorizes the Prime Minister and Finance Minister, with the approval of the Ministerial Committee on Privatization and in consultation with the minister responsible for social affairs, to prescribe, in an order, provisions intended to protect the vital interests of the State with respect to the company undergoing privatization. The provisions will apply for a limited period or generally, and may also apply after the privatization of the company, as shall be set forth in the order. The definition of the 'vital interests' includes various interests, as well as preventing concentration in the market, adversely affecting the State's foreign relations, and more. On November 17, 2004, the Government-Owned Companies Order (Declaration of a vital interest to the State in El Al Israel Airlines Ltd.) 5765-2004 (hereinafter in this paragraph: the "**Order**") was published under the said Chapter H2. The Order prescribes that the State has a vital interest, with respect to the Company, to enable the effective use of Vital Assets in an emergency or for security purposes to ensure the continued existence of activities that are essential to national security. Accordingly, the Order prescribes that the Company must employ, at all times, Israeli air crew members, and Israeli ground crew members in Israel, who have the necessary training and licensing to operate the "Vital Assets" (a minimal aircraft fleet; see the "Special State Share"), in the amount required for the continuous and simultaneous operation of all of the "Vital Assets" during an emergency or security need. The Order adds that it does not apply to the Company the provisions of Section 59I of the Government-Owned Companies Law (which concerns restrictions on transferring control), and there is nothing in the Order to derogate from the provisions of the Special State Share. For details regarding additional restrictions which apply to the Company by virtue of the Special State Share, see Section 8.11.9 below.

h) **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.

11 February 2025 saw publication in the Official Gazette of the Aviation Services Law (Compensation and Assistance due to Cancellation or Change in the Terms of Flights) (Amendment No. 2 and Temporary Provision – Swords of Iron), 5785-2025, which includes several permanent amendments to the Aviation Services Law and a temporary provision that, inter alia, revokes the right to statutory compensation under the Aviation Services Law in a case where the flight is cancelled or moved up in time, on several specific dates defined as of 7 October 2023.

i) Equal rights for persons with disabilities

The Company is subject to regulatory provisions regarding accessibility both in Israel and in the world, applicable to its global operations, including the following regulation: (1) Equal Rights for Persons with Disabilities Law, 5758-1988; Accessibility Regulations for Buildings, Equal Rights for Persons with Disabilities (Accessibility Adjustments for Service) - 2013; Equal Rights for Persons with Disabilities Regulations (Regulation of Access to Public Transportation Services), 5763-2003; the Law on Access to Air Carriers (for Persons with Disabilities in Commercial Air Transport); Equal Rights for Persons with Disabilities, Accessibility Adjustments for Service Regulations.

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), which recently released directives concerning the transportation of passengers requiring assistance, with a focus on passengers using wheelchairs. The Company is working to implement this directive.

In the third chapter of the Equal Rights for Persons with Disabilities Regulations (Regulation of Access to Public Transportation Services) 5763-2003, provisions were stipulated in connection with the obligation to regulate aids in air transport for people with disabilities, which impose various obligations on air carriers.

The accessibility sector is expressed within the Company in three ways: accessibility of digital assets, service accessibility, and physical accessibility. During the Report Year, an intra-company team was established, in which representatives from each of the sectors are active, 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.

Accessibility of digital assets – The Company acts on an ongoing basis to render such assets accessible and conform them to the relevant standards, including booking systems. As of Shortly Before Approval of the Report, the Company's website is accessible.

Accessibility of service – The Company acts to ensure the provision of services to its customers with disabilities on an equal, respectful and accessible basis, inter alia, by conducting specific accessibility training sessions for its employees.

Physical accessibility – The Company acts to render the physical assets on the Company's premises accessible, making the required adjustments as required by law.

j) 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.

k) **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.

l) **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.

m) **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.

The Company's aforesaid estimations, including as concerns an adverse effect on revenues due to non-receipt of licenses and permits or non-compliance with conditions set forth in permits and the resulting effects thereof are forward-looking information, as defined in the Securities Law, which includes the Company's estimations or forecasts as of the Report Date. Therefore, the actual results of not receiving business licenses and building permits or not receiving appropriate permits for the Company's operations may be substantially different from the results estimated or implied by this information due to numerous factors, which include authorities' actions in connection with licenses, a change of legal or operational provisions, and the results of legal proceedings, as well as the materialization of any of the risk factors specified in Section 8.16 below.

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(I) above). For further details regarding the Company's enforcement plans, see Section C.6 of the Board Report.

8.11.5 Aviation licenses

<u>Commercial operation license</u>

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 between BGA and Eilat on feeder flights; the transport of passengers on domestic flights on the BGA-Eilat route; the transport of cargo by all-cargo aircraft on scheduled international flights and charter flights.

For details with respect to CAAI's letter on amendment of the terms of the Company's commercial license, see Section 8.11.5 of the Corporation's Business chapter in the periodic report for 2022. Further to the Company's signing of an agreement for Dry Lease of an all-cargo aircraft in February 2023, the Company acted to amend the terms of the commercial license such that it be allowed to provide cargo transport services. In August 2024, the CAAI amended the Company's commercial operating license addendum, such that the Company is able to transport cargo using all-cargo aircraft without a validity limit. For further details, see the Company's immediate reports released on 8 June 2023, 2 June 2024, and 6 August 2024 (Ref.: 2023-01-063087, 2024-01-055660, and 2024-01-084151).

<u>Air operation license</u>

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.

8.11.6 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(b) 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.

8.11.7 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. For details about these agreements, see 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.

<u>Flight fares</u>

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. 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.

8.11.8 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.

8.11.9 Special State Share

Shortly before the release of the 2003 Prospectus, 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 Special State Share 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 3 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 updated on 19 September 2024 (Ref. 2024-01-604550).

8.11.10 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.

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 March 2022, an external IOSA audit of the Company was conducted, and the Company's safety standard registration was renewed until March 2024. An external IOSA audit scheduled for January 2024 was postponed due to the War and took place in March 2024, following which the Company's safety standard registration was renewed until March 2026.

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.

8.11.11 Quality assurance and quality control

The quality policy of the Company's repair station is implemented through the Company's Quality Assurance and Control Division. 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, in 2025, the Company is expected to complete the overhaul of one Boeing 777 aircraft, the delay in overhaul of which arose from delays in the supply chain. Another aircraft of this model has been temporarily removed from the CAAI's operation specifications and reinstatement thereof is subject to the completion of necessary maintenance steps according to the Company's ongoing maintenance plan. As of Shortly Before Approval of the Report, this aircraft is maintained under a preservation program in accordance with the manufacturer's applicable guidelines and is not expected to return to service with the Company at this stage.

The Company's aforesaid estimations regarding the aircraft overhaul date, and recommissioning of an additional aircraft for use by the Company, 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.

8.11.12 Security arrangements

The civil aviation industry is a target for attack by various entities, mainly 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, the Government has decided to entrust civil aviation security to the Israel Security Agency (Shin Bet) (Government

Resolution 411/75). Security arrangements in Israel are determined 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.

As of the Report Year, the State participation rate was 97.5%.

The agreement regarding the regulation of civil aviation security operations has been extended several times, with another temporary letter of extension signed on 31 December 2024. On 2 March 2025, a government resolution was adopted, which addressed, inter alia, participation in the security expenses of Israeli airlines, including the Company and Sundor (the "**Government Resolution**"). Further to the said 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%

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 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, 5728-1968. 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, the Company's security division 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):

	2024	2023	2022
State funding	185.7	168.4	136.9
The Company's share	4.7	4.4	3.4
Total	190.4	172.8	140.3

Aircraft defense systems

As a subcontractor of Elbit Systems Electro-Optics Systems ELOP 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.

The Company is exploring the continuation of the installment of the Flight Guard system on its aircraft.

8.11.13 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 2025.

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.

The Government-Owned Companies Order (Declaration of Vital Interest of the State in El Al Israel Airlines Ltd.), 5765-2004, stipulates that the State has a vital interest in relation to Company, in order to allow for effective use of Vital Assets, as defined in the Company's articles of association, during times of emergency or for security purposes in order to ensure the continuation of activities that are vital to national security, and 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, and in all in such numbers as shall not fall below the numbers required for continuous and simultaneous operation of all Vital Assets during times of emergency or security need.

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 2021 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, 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), which the Company purchased and leased as part of the Procurement Transaction.

Another Boeing 787-9 aircraft, purchased from Boeing in 2022 (the "**17th Aircraft**"), is expected to be delivered during 2025 (instead of by the end of the Report Year) due to delivery delays by Boeing. In November 2024, the Company engaged in a syndication financing agreement with Israeli banks for the purchase of the 17th Aircraft. For further details, see Note 14 to the annual Financial Statements.

After the exercise of the option to lease two additional 787-9 aircraft, the 18th aircraft and the 19th aircraft (Dry Lease), the Company is expected to receive such aircraft 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 aircraft (aircraft 20-22), which are expected to be delivered in 2029-2030, with an option for up to six additional aircraft, their delivery date depending also on the exercise of any option, if exercised, and on the availability of aircraft from Boeing. For further details, see the Company's immediate report released on 24 April 2024 (Ref: 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. According to the Company's strategic plan, the Company will consider the operation of several MAX 737 aircraft in lieu of exercise of the option, through leasing them from aircraft leasing companies. 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 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, with Rolls Royce's notice in 2023, indicating that it was intended to be implemented in the Report Year. In practice, Rolls Royce informed the Company that commencement of the implementation of the Improvement Outline was postponed to 2025.

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.

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 Dreamliner aircraft which the Company 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). Following the Covid-induced crisis, the Company reached an agreement with the foreign company to reduce charges and adjust the agreement to the volume of operations in 2021, and as the Company's recovered from the Covid-induced crisis in 2022, it resumed operations according to the terms and conditions of the agreement.

Engagement in agreements with credit card companies

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

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)

Entry into an agreement with Issta

In November 2023, the Company signed an agreement with Issta Ltd. ("**Issta**") for the formation of a jointly owned Company (the "**Tourism Company**") that will engage in the development, marketing and sale of tourism products and services, including travel packages – flight and hotel, travel services and related financial products. In the event of satisfaction of the condition precedent, namely the receipt of exemption from the Competition Commissioner or approval by the Competition Court (the "**Condition Precedent**"), to the extent required, the Company will hold 60% of the shares of the Tourism Company and Issta will hold 40% of the shares of the Tourism Company. Concurrently with the signing of the agreement, the Company and Issta signed a share allocation agreement, whereby Issta will purchase shares of the Company in a private placement. The parties agreed that the agreement would expire on 29 May 2024, to the extent that the Condition Precedent is not met by such date. In view of the aforesaid, and since the Condition Precedent was not met, the agreement expired on 29 May 2024.

For further details, see the Company's immediate reports released on 29 November 2023 and 29 May 2024 (Ref. 2023-01-130254 and 2024-01-053626).

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
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.
Azerbaijan Airlines	Codeshare	The agreement provides El Al with the ability to market seats on Azerbaijan Airlines' flights on the route to Baku.

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:

Name of Airline	Type of Agreement	Concise Description of the Agreement
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.
Scandinavian Airlines	Codeshare	The agreement allows the Company's customers to buy combined tickets under the Company's designator to Oslo (Norway), Stockholm (Sweden) and Copenhagen (Denmark), through connecting flights from various El Al destinations in Europe, and vice versa.
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.
JetBlue Airways	Codeshare	The agreement allows the Company's customers to buy combined tickets under the Company's designator to dozens of additional central destinations in North America, connecting via

		the Company's direct destinations. As of May 2023, JetBlue Airways started selling tickets under its own designator to the Company's flights from North America.
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.

Aeromexico	Codeshare and frequent flyer program agreement	The agreement allows the Company's customers to buy combined tickets under the Company's designator to Mexico via the Company's destinations in Europe and North America. Furthermore, the agreement also allows Aeromexico to likewise sell the Company's flights under its own designator. In addition, the airlines have a frequent flyer program collaboration agreement, which allows the airlines' customers to earn points on a mutual basis on certain routes, for both airlines' frequent flyer program customers.
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. In July 2018, an update to the agreement took effect, expanding the agreement and allowing 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:

Name of Airline	Type of Agreement	Concise Description of the Agreement
Alaska Airlines	Codeshare and frequent flyer program collaboration	The agreement allows the Company's customers to buy combined tickets under the Company's designator to dozens of central destinations in North America, connecting via the Company's direct destinations to North America. The frequent flyer program collaboration agreement allowed the airlines' customers mutual

		point accrual for frequent flyer program customers of both airlines. Both agreements ended during the Report Year.
American Airlines	Codeshare	The agreement allows the Company's customers to buy combined tickets under the Company's designator to dozens of American Airlines' destinations in North America, connecting via the Company's destinations in Europe, such as London, Rome and Paris. The agreement ended during the Report Year.

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.

It is noted that the Company's customers also earn FF 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 a list of the material claims that have been filed against the Group, 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

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

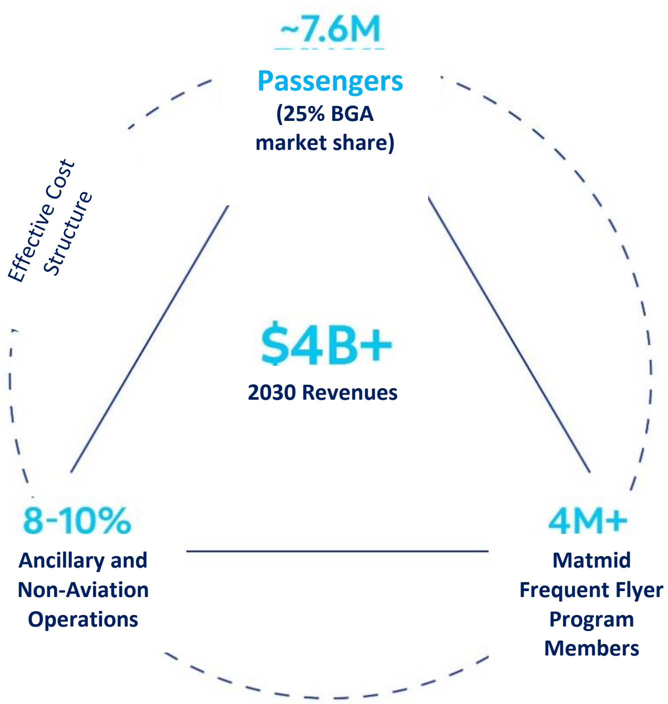
Service and Flight Experience
We will deliver a top-notch pleasant flight experience with Israeli spirit

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, including a codeshare agreement with Delta Airlines. 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 periodic report for 2023. For further details with respect to forecasts in respect of business targets and implementation of the Company's strategic plan in the Report Year and the financial implications of the update of the Updated Strategic Plan, see the introduction to the Board Report.

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

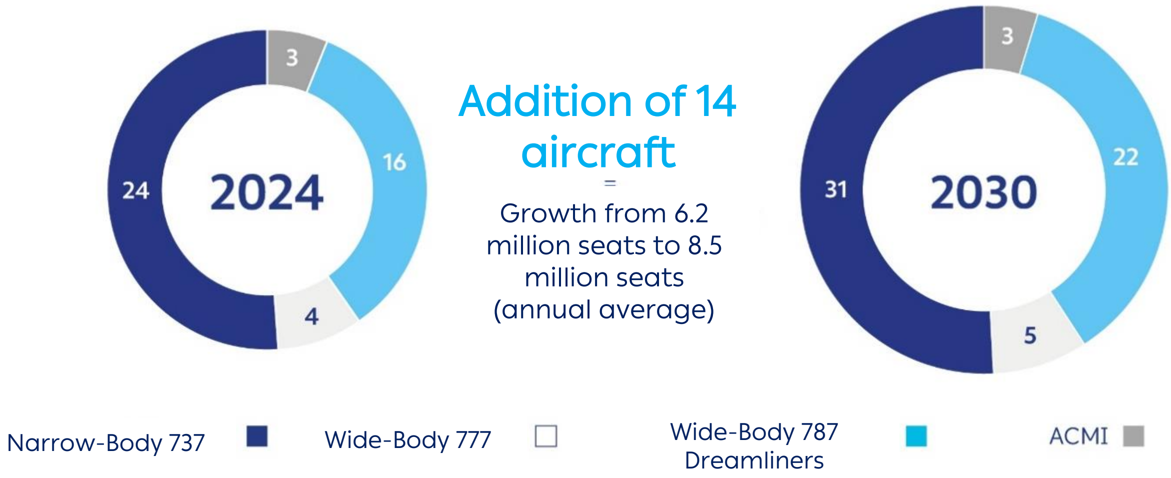


Expansion and renewal of the aircraft fleet:

Growth from the operation of 47 passenger aircraft in 2024 to the operation of 61 aircraft in 2030 (the number of passenger aircraft at the end of the year, including the annual average of ACMI aircraft). At the same time, and given delays in the aircraft delivery rate, bridging solutions for the upcoming years will be explored as well.

In addition, in the cargo aircraft segment, the Company is examining the possibility of growing from one narrow-body cargo aircraft (and another aircraft under Wet Lease) to two cargo aircraft – a wide-body one and a narrow-body one (and another aircraft under Wet Lease) in 2028.

Number of passenger aircraft* at the end of the year, including the annual average of ACMI aircraft:



*Only serviceable passenger aircraft

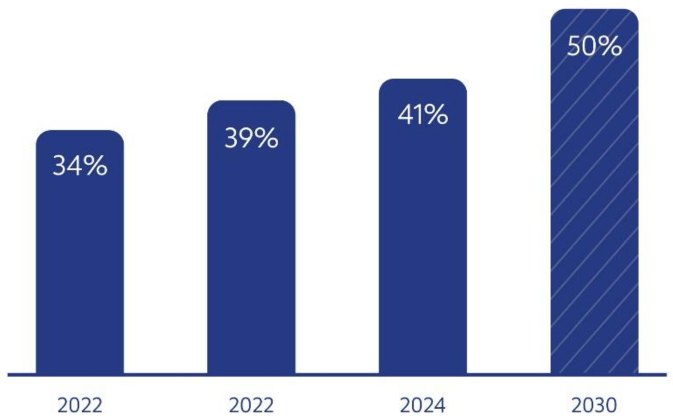
Optimization of the route network:

Adjustment of the route network to changing market conditions, with optimal utilization of the aircraft fleet, reinforcement and expansion of operations on core routes and launching new destinations.

Distribution channels

Ongoing growth in sales volume via digital channels, along with preservation of sales through the channel of agents, and striking a balance between the two channels.

The following chart presents the Company's digital media sales share target:



Priced direct ancillary services – Direct Ancillary:

Update of direct ancillary revenue growth target to approx. $34 per passenger in 2030.

Development of new growth drivers within the value chain of the tourism and travel sector and beyond the core business:

MRO services
(Maintenance, Repair and Overhaul)
to other airlines, and examination of global expansion

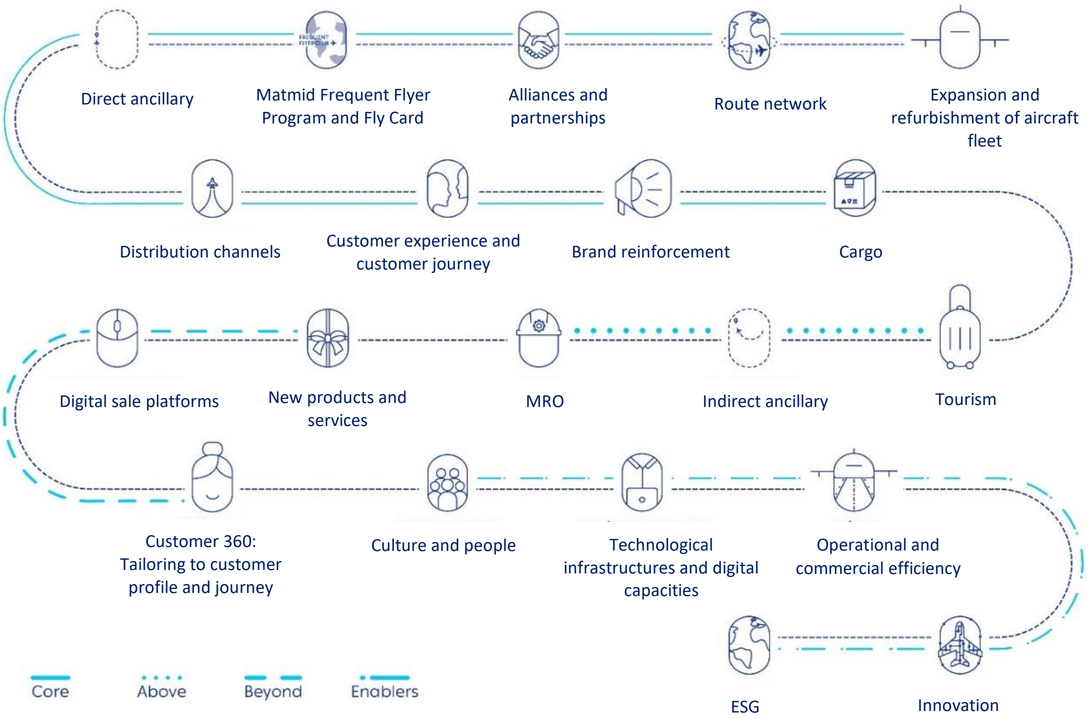
Comprehensive tourism services
to be integrated into the customer's journey and allow for accrual and redemption of FF points
Launch as of 2027

Positive cash flow for consideration of investment opportunities

New products and services
including credit and finance, insurance and retail

Creating value offers that are tailored to the customer's profile and journey and developing digital sale platforms

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 specified above, the Company's accomplishment of the strategic goals and the Company's assessments regarding the expected results following the implementation of the Updated Strategic Plan, 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. Risk factors can be broken down into macro risks, industry risks and Company-specific risks.

As part of the implementation of a comprehensive risk management process (ERM – Enterprise Risk Management) per the instruction of the Board, the Company formulated a corporate risk map in the Report Year, which is followed by the Company, while assessing their potential effect on the Company and its operations and rating risk levels.

As part of the implementation of the ERM, in the Report Year, the Board expanded the responsibilities of the market risk management committee and determined that the committee be in charge of the management of all risks in the Company, at the same time defining the said committee as the risk management committee. In addition, the Group's controller 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, and 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.

Shortly Before Approval of the Report, the risk management committee approved a detailed work plan which will establish the corporate risk map.

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 financial position and scope of operations. The risk is that the Company's revenues, the current flight operations, and more, will suffer a negative effect 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 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.

Since and following the outbreak of the War, 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. Furthermore, 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 that insurance is maintained to secure continued aviation operations, the Company applied to the State for the arrangement of the aviation insurance policies related to the War. The State accepted the Company's request and issued, through Inbal Insurance Company Ltd., policies that supplement the cancelled aviation insurance, which are in force and effect as of Shortly Before Approval of the Report.

In the Report Year, 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 the U.S. dollar). The Company is exposed to an increase in the value of the shekel in relation to the Dollar in connection with 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. Revaluation of the shekel in relation to 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 ballon loans in yens in the context of the procurement of Dreamliners. The Company hedged against some of the currency risks deriving from the projected payments in repayment of such loans in 2029-2030.

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 financial position may possibly suffer a negative effect reflected in its business results. Coming out of the Covid-induced crisis, the Company maintains a relatively flexible and lean cost structure. In addition thereto, over the period of the Covid-induced crisis, the Company gained experience in the management of significant changes in the market's condition, including experience in the conduct of operational, commercial and financial actions to deal with these situations.

In the Report Year 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.

In the Company's estimation, As of Shortly Before Approval of the Report, such rating downgrades are not expected to directly affect the Company's results. 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 to the Financial Statements.

8.16.6 Cyber threats, harm to information systems and databases

In general, cyber threats constitute a risk factor for damage to the essential operations of the Company and its functioning. Given the multitude of the Company's information systems (and the age of some of them) and its international presence, there is risk of malfunctions and disruptions in the operation of the Company's information systems, which may lead to the shutdown of or lack of sufficient support for essential systems for certain periods of time. Accordingly, the Company maintains an information security and cyber defense system as part of the protection of its systems against cyberattacks and incidents, in order to prevent the possibility of damage to various systems, including aviation systems, and to ensure continuity of the Company's operations.

Another aspect of cyber risks is related to data-management in the organization due to concern of information leaks. Sensitive organizational data or personal data may leak out to parties outside the Company, which may lead to commercial and image damage and expose the Company to lawsuits and penalties. In this aspect, the Company takes multiple measures and acts to secure the data held thereby and protects the same from being leaked and maintains the information's confidentiality, integrity, reliability and availability.

The Company maintains an information security and cyber risk management policy (which the Company estimates is effective) and information security procedures, which detail the Company's concept and principles in relation to across-the-board processes therein, including aspects of human resources, procurement, database management, work with external parties, etc. The Company's Chief Information Security Officer (CISO) is responsible for implementation of the Company's risk management and information security policy, which is approved by VP Information Technologies and the Company's Board and is also responsible for the performance of controls in this area. Cyber risk reports are provided to the Company's Board on a regular basis. Moreover, upon the occurrence of a material cyber event, the Board receives ongoing reports in accordance with the Company's procedures on the issue. In addition, the Company has various processes in place for information security risk management, including the performance of risk tests among which are risk surveys and controlled penetration tests for the various systems.

In the Report Year, the Company established a specifically designated steering committee on information and cyber security issues, chaired by the Company's CEO, which convenes from time to time.

The Company dedicates resources to cyber risk management and information security technologies, including tools and services such as firewalls, hacking detection and prevention systems, a cyber incident management system (SIEM), threat intelligence platforms, data loss prevention (DLP) solutions, encryption and CDR technologies and tools for managing identities, managing access authorizations, etc. The Company also takes measures to maintain physical information security, such as access control systems, environmental controls and cameras that ensure the security of the Company's hardware and data storage.

In recent years the Company has continued to upgrade some of the information systems and technological infrastructures, and some of the Company's information systems that are at the end of their life cycle, have been replaced. Besides the foregoing, the Company regularly holds training sessions and drills for all its ranks, receiving assistance from external experts and professionals. In this context, the Company's training scheme includes online courseware and face-to-face training on privacy and information security issues as well as the specific training of key functions in the Company on the matter. It is further noted that a drill for handling a cyberattack-type crisis event, in cooperation with a company whose field of expertise is cyber crisis management, took place in January 2025.

Since the outbreak of the War and until Shortly Before Approval of the Report, the Company experienced a significant rise in the number, sophistication and intensity of attempted cyberattacks. The Company continues to invest additional vast resources in cyber and information security and uses technological measures to reinforce and strengthen its defense scheme, including by means of reinforcing the defense of supply chains. Furthermore, the Company takes further action to enhance its preparedness for emergencies in technological aspects and to raise awareness, alertness and vigilance among the Company's employees in the cyber and information security field. Without derogating from the foregoing, it is noted that given the rise in cyber threats around the world generally, and in the State of Israel particularly, in view of the War, the increase of the Company's volume of operations and various regulatory requirements, and in view of the risk arising from the Company's exposure to cyberattacks, because the Company boasts the Israeli flag on the tails of its aircraft which is a national feature, the Company has increased its investments in cyber protection and is continuing to allocate the resources required in this matter. As of Shortly Before Approval of the Report, no cyber and information security incident has taken place in the Company which may have a material effect thereon.

Industry Risks

8.16.7 Jet fuel prices

Jet fuel constitutes a material component of the operating expenses of an air carrier and of the Company. Jet fuel prices are subject to sharp fluctuations. The Company's profitability may be significantly affected by a change or material fluctuations in jet fuel prices. 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 Company's 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.

8.16.8 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.

Nevertheless, as of Shortly Before Approval of the Report, 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 at a considerable rate as compared with the period preceding the outbreak of the War and even more than 50% (in some of the months during the Report Year), which has possible implications in relation to competition law claims (see Section 8.11.2(f) above).

The Company also 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 measures taken by the Company in this context, see Section 1.2 and Section 7.8 above.

8.16.9 Government decisions on aviation issues and the Company's air carrier licensing

The Company's operations are contingent on the receipt of a license from the aviation regulator (e.g., an air operator license and a maintenance institute license), the conditions of which are determined pursuant to provisions of law and regulations and supervised by the Civil Aviation Authority, and may therefore affect the Company's position, its ability to carry out its tasks and even adversely affect its financial results.

The Company's air carrier operator licenses 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 licenses and the aviation rights granted thereto by the State.

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, pandemic, economic crises and the like, have greatly affected international supply systems, including the aviation industry. The manufacturing and supply limits of material suppliers of the Company, including those of the aircraft and engine manufacturers, affect the management of the Company's fleet of aircraft and engines and might materially affect the Company's ability to implement the strategic plan due to the potential for aircraft downtime, unavailability of aircraft, engines or other spare parts, delays in the delivery of new engines or aircraft, etc. in view of increasing disruptions in the supply chain of the global aviation market in general, and the Company in particular given the geopolitical shifts in Israel and around the world, which lead, inter alia, to delays in the rate of supply of aircraft, engines and other spare parts, the Company's strategic plan and business plan have been updated. In this context, it is noted that some of the measures the Company takes in order to address this risk include the operation of aircraft under Wet Lease, the acquisition of aircraft and engines used by the Company, inter alia, in lieu of leasing the same, and the acquisition of a simulator.

For further details, see Sections 8.5.2, 8.12 and 8.15 above.

8.16.12 Environmental, climate and noise restrictions

The Company is exposed to non-compliance with regulations related to the environment, climate, and noise, including a ban on the operation of aircraft due to pollution, noise, or other factors, as well as changes in the limitations on aircraft operations at BGA or other airports the Company flies to, land and water pollution, inefficient management of waste and sewage, etc.

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. In 2023, the Company voluntarily 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. Shortly before Approval of the Report, the Company was certified by IATA for compliance with this program.

Furthermore, and as part of the Company's strategic plan (and as the Company has done in the past two years), the Company intends to release an ESG Report in 2025, in accordance with the GRI reporting standards, which will refer to the Report 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, 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 and/or customers and/or facilities and/or 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 will result in commercial, image-related damage to the Company and exposure 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 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. 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 that insurance is maintained to secure continued aviation operations, the Company applied to the State for the arrangement of the aviation insurance policies related to the War. The State accepted the Company's request and issued, through Inbal Insurance Company Ltd., policies that supplement the cancelled aviation insurance, which are in force and effect as of Shortly Before Approval of the Report.

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 authorities in Israel and the world. The absence of appropriate licensing, 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 ability of foreign airlines to take shorter flight routes over countries over which Israeli airlines, including the Company, are not allowed to fly, undermines the Company's ability to compete on equal and fair ground against the 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.

The 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.

Company-Specific Risks

8.16.16 Flight security maintenance costs

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%.

On 2 March 2025, a government resolution was adopted, which addressed, inter alia, participation in the security expenses of Israeli airlines, including the Company and Sundor (the "**Government Resolution**"). Further to the said Government Resolution, 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.

For further details about the agreement so 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 attacks), and 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 might negatively affect the Company's ability to repay its financial liabilities as and when they become due, including aircraft acquisition or lease liabilities, and its ability to obtain financing for additional aircraft.

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 extremely material amounts, within a short amount of time. The measures taken by the Company to reduce exposure include, inter alia, the establishment of an investment policy while maintaining a safety cushion of liquid means to be used by the Company as necessary, the issuance of vouchers to customers in lieu of cash refunds, and the like.

In addition, the Company's hedging activity is conducted pursuant to the hedging policy approved on a yearly basis by the risk management committee and the Board. As part of the management of the hedging activity, the Company engages with financial entities in agreements that stipulate the maximum credit exposure permitted to the Company, with an extreme change to the Company's detriment in the fair value of hedging transactions (jet fuel, foreign currency and interest) possibly giving rise to the requirement to provide cash collateral to the hedging entities. The Company's said hedging policy limits the Company's maximum possible exposure to this risk.

The materialization of a liquidity risk might negatively affect the Company's ability to repay its financial liabilities as and when they become due, including aircraft acquisition or lease liabilities, and its ability to obtain financing for additional aircrafts. For details with respect to the management of the liquidity risk, see Note 14H to the Financial Statements.

8.16.19 Non-aviation regulation, competition laws and legal proceedings

Given Israeli competition law's lenient treatment of foreign airlines (which can, inter alia, argue for application of Section 3A of the Economic Competition Law, 5748-1988, which grants arrangements between foreign airlines a sweeping exemption from the restrictive arrangements chapter, subject to the satisfaction of the conditions in that section), the ability of Israeli carriers, including the Company, to compete may be adversely affected, as may 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.

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 Israel 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 expected 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 it acts for the establishment of oversight mechanisms on behalf of the Board and its committees with respect to compliance processes within the Company. In this context, the Company has defined audit programs that are conducted by the Company's internal auditor in the Board's audit committee.

For further 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 maintenance of a minimal flying capacity with which the Company must comply, reduce operational flexibility and impose burdensome liabilities in relation to the essential assets, as defined in the Company's articles of association. Indemnification under these circumstances may fail to cover all of the Company's expenses. Moreover, pursuant to the State's authority under the Government-Owned Companies Law, the Government-Owned Companies Order (Announcement of the State's Essential Interest in El Al Israel Airlines Ltd.), 5765-2004 was promulgated in 2004, decreeing that the Company has an essential interest in the Company that allows for effective use of its essential assets, as described in Section 8.11.13 above, which may affect 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" in breach of the agreement will cause temporary 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, e.g. with the companies Paz and Dor Alon. The Company believes that the amount of jet fuel purchased from Paz and Dor Alon, as noted, 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 with carrying out activities required, *inter alia*, 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	Moderate 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			✓
Cyber threats, impairment of information systems and databases		✓	
Industry Risks			
Jet fuel prices		✓	
Competition		✓	
Government decisions on aviation issues and the Company's air carrier licensing		✓	
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		✓	

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 (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 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 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 provision of security services to the Israeli airlines.

THE BUSINESS ENVIRONMENT

The business environment in which the Company operates is international civil aviation and tourism to and from Israel, which are characterized by high competition and high sensitivity to the economic, political and security conditions in Israel and worldwide. The Swords of Iron war (the "**War**") significantly impacts the aviation industry in Israel, including the seat offering in the market and the stability thereof, the general demand for flights, the nature and scope of passenger traffic, all as specified below. With respect to the international aviation market, according to the estimates of the International Air Transport Association ("IATA") the number of flight passengers, globally, continued growing in 2024, and exceeded the record figures recorded in 2019, prior to the breaking out of the Covid pandemic. At the same time, the industry is facing shortages in the supply chain, including shortages of aircraft and other flight equipment, which creates challenges in expanding the seat offering and renewing the aircraft fleet. For details regarding difficulties in the supply chain, see Section 8.5.2 of the Description of the Corporation's Business chapter.

With respect to IATA's 2025 forecast for the global aviation market, see Section A.1.2 below.

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

Main development of business operations in 2024

Throughout 2024, the War materially impacted both the supply of seats at Ben Gurion Airport ("BGA") and the overall volume of passenger traffic at BGA. The foreign airlines intermittently cancelled and resumed some of their flights to and from Israel, while the changes in the security conditions and instability prevailing throughout 2024 caused frequent changes and increased uncertainty with respect to the scope of operations of the foreign airlines. In addition, and *inter alia* as a consequence of the seat supply problem resulting from the unstable operations of the foreign airlines, there was a decrease in the number of passengers passing through BGA which dropped over the year by approx. 34% compared to last year. The aforesaid notwithstanding, throughout 2024, demand was significantly higher than the supply of seats at BGA such that demand for the Company's flights throughout the entire year was significantly enhanced relative to seasonality and at times even above and beyond the demand the Company usually experiences during peak periods in normal times.

Since the War broke out, the Company is facing inconsistent security conditions which causes instability in the operation of civil aviation to and from Israel and in its airspace, leading to gradual cancellations of some of the flights operated by foreign airlines that operate flights to and from Israel, and also to intermittent shutdowns of Israel's airspace.

Throughout the entire period, the Company maintained the air bridge to and from Israel. The preservation of the air bridge was made possible by the Company's ability to operate a civilian airline in a multi-front, ongoing war environment. In this context, the Company is working in full and continuous coordination with all relevant authorities and authorized security functions, including CAAI, IAA, the Israel Security Agency, the IDF, and also operates a crisis room headed the VP Flight Operations, for the management of the various events such as missile attacks, flight route updates, route changes, all with meticulous risk management.

2024 was characterized by increased demand for the Company's flights, relative to its seat capacity, including in Q4 this year. The Company continues its operational efforts to increase flight supply as much as possible, within its production capacity limit, and implements commercial, operational and functional adjustments as elaborated in Section 1.2 of the Description of the Corporation's Business chapter. This, together with other factors as specified herein, including the increased demand for cargo transport in the Company's aircraft in view of the decline in foreign airline flight supply, had a significant positive impact on the business results both for 2024 and this quarter, in which net profit totaled approx. USD 544.9 and USD 129.6 million, respectively, compared with net profit of approx. USD 116.7 million in 2023, and net profit of approx. USD 39.7 million in Q4/2023 (the "**Same Quarter Last Year**"). See Section A.1 below regarding a detailed explanation of the business results, including the gaps compared to the Same Quarter Last Year in which the Company also operated in a business environment affected by the War.

Since the outbreak of the War, and in view of its prolonging, the Company adjusts its operations profile to the changing business environment, resulting, *inter alia*, in increased level of operational and commercial risk. Furthermore, the War is increasing uncertainty regarding routine conditions in many areas and further encumbers forecasting market demand, competition and their inter-relatedness. Consequently, the Company incurs additional costs which are caused, *inter alia*, by the extension of flight routes, increased security expenses, less-than-optimal HR management (resulting, *inter alia*, from Company employees being called up for military reserve duty, and occasional inability to accommodate crew overnight in some of the destinations) and so forth. This is in addition to general price rises in Israel and globally.

In Q1/2025, against the background of understandings and agreements to stop the fighting, security conditions have eased, although the quarter is still characterized with uncertainty. Against this background, the pace and intensity of the return of the foreign airlines to Israel has gradually improved. However, since the trend in Q1/2025 still is of a limited seat supply versus demand, the Company expects that the results of its operations for this quarter will be positively affected and similar to the Same Quarter Last Year, with the necessary adjustments. For further details, see Section A.2.1 below.

Even though the Group's business results have been materially affected by the business environment in which it operated in 2024 as specified above, in the opinion of the management of the Group and the board of directors and according to the Company's strategic plan prepared immediately before the War broke out, 2024 was anticipated to be a profitable year, against the background of several anchors, including:

- The business nature of the global aviation market in general, and in Israel in particular, characterized by high demand against the background of shortage of seat supply resulting from the gradual recovery from the Covid crisis.

- An increase in seat capacity offered by the Group, *inter alia*, due to the reactivation of aircraft that were grounded during Covid and the development of manufacturing capacity.

- The streamlining agreements and the changes in the employment relations and improved digitation, resulting in a cost structure that is more efficient and smaller relative to the operation volumes.

- Significant collaboration agreements as provided in Section 8.13 of the Description of the Corporation's Business chapter below, that have led to improvement of the Group's value proposition to its customers.

- Ongoing development of the Company's FFP (as specified below).

The management of the Group and the board of directors are of the opinion that these anchors, including the Company's financial strength, empowerment of the club's activities, as well as strategic cooperation agreements, including a codeshare agreement with Delta Airlines, are expected to form the foundation of its strategic plan as updated and detailed in Section 8.13 of the Description of the Corporation's Business chapter, and help the Company meet its business goals.

The Company's forecasts in respect of its operations in Q1/2025 and its compliance with the strategic and business targets, as detailed above, constitute forward-looking information, within the meaning thereof in the Securities Law, and may vary or materialize differently and even materially differently to the forecast as a result of numerous factors, including the changing security conditions in Israel and difficulties in the supply chain. The

Company's forecasts are depending to a great extent on third parties and their operations and are also depending on the occurrence of events which are beyond the Company's control. The non-materialization, or materialization in a different (and even materially different) manner, of forward-looking information, may also be caused by materialization of any of the risk factors characterizing the Company's operations as specified in Section 8.16 of the "Description of the Corporation's Business" and by developments in the economic environment in which the Company operates.

Development of sales to the Group's passengers

Below are sales to the Group's passengers (ticketed bookings, regardless of the flight date) in the period June 2023-February 2025, as well as refunds made in the same period (USD in millions). To emphasize, the figures below are not revenue figures.

	June 23-August 23	Sep. 23-Nov. 23	Dec. 23-Feb. 24	Mar. 24-May. 24	June 24-Aug. 24	Sep. 24-Nov. 24	Dec. 24-Feb. 25
Sales[1]	693	772	1,087	1,123	1,040	1,104	1,101
Vouchers issued	(10)	(147)	(153)	(54)	(50)	(66)	(53)
Cash refunds	(46)	(111)	(73)	(83)	(84)	(112)	(103)
Total refunds and vouchers issued	(56)	(258)	(226)	(137)	(134)	(178)	(156)
Sales, net of refunds	637	514	861	987	906	926	945
Sales for future periods [2]	43%	27%	47%	51%	47%	49%	47%

The above specified sales forecast constitutes forward-looking information, within the meaning thereof in the Securities Law, which is based on figures, assumptions, assessments and forecasts which may vary (in whole or in part) or materialize differently and even materially differently to the forecast as of the date hereof. The forecast and figures are based on key assumptions pertaining, inter alia, to the continued air carriage operations in BGA in the coming period, and are largely dependent on third parties and their activities, as well as being dependent on the occurrence of events that are beyond the Company's control. Any change in such assumptions and forecasts as well as the materialization of any of the risk factors which are relevant to the Company and its operations (as specified in Section 8.16 of the "Description of the Corporation's Business"), may affect, even materially, the actual results.

[1] The figures are forecasted sales figures, gross, including port taxes attributed thereto and including sales via vouchers, credits and FFP points. Revenues from such sales are recognized not earlier than the assigned flight date, if any. Some of the ticket sales may be modified by customers e.g. cancellation or modification of the ticket.
[2] The rate of future sales constitutes a part of the sales that were made during the reported period in respect of flights to be performed after the said period.

Projected business targets against the background of the update of the strategic plan

In Q1/2025, the Company's board of directors approved the update of the Company's strategic and business plan until 2030, which included, *inter alia*, changes to the Company's business targets, including the scope of operations and revenues as specified below. For further details, see Section 8.15 of the Description of the Corporation's Business chapter.

- Background and purposes of the plan to expand the aircraft fleet

Characteristics of the aviation market in Israel and the Group's strategic targets:

In the years 2010-2019, passenger traffic at BGA increased by approx. 12% per annum on average. Upon the outbreak of the Covid crisis, passenger traffic at BGA decreased significantly; It started recovering in 2022 and was expected to return to its 2019 level in 2024 – a forecast that did not materialize due to the War (*inter alia*, against the background of the irregular activity of the foreign aircraft as specified above). Nevertheless, according to the Company's assessment, passenger traffic at BGA is expected to continue to grow in the coming years, and reach approx. 30 million passengers a year, by 2030.

The Group's target for the number of passengers it flies in 2030 is approx. 7.6 million passengers, which forms a growth of approx. 40% compared to the number of passengers the Group flew in 2023. The above is considering the growth rate of Ben Gurion Airport as aforesaid, the Company's plans to expand to additional destinations and strengthen its existing route network and value proposition to its customers, and considering the general demand for flights to and from Israel. Accordingly, the Group's operations are expected to account for a market share of approx. 25% of the number of passengers visiting Ben Gurion Airport. As a result, the Group is expected to increase its aircraft fleet such that the seat capacity offered to its customers, grows. Such growth will enable the Group to address the existing infrastructure limitations in the aviation industry in general and at Ben Gurion Airport in particular, including limitations on the use of slots (takeoff and landing rights).

The Group is therefore working to increase its aircraft fleet to up to 61 passenger aircraft by 2030, where it will acquire 6 new wide-body Boeing 787 (Dreamliner) aircraft and up to 31 new narrow-body Boeing 737 MAX aircraft, some of which will replace the Company's existing narrow-body fleet and others will contribute to its expansion. For further details, including the Company's investments in its 777 aircraft, see section A.2.3 below.

Note that in view of the growing demand for aircraft supply by aircraft manufacturers, created in the context of the global recovery from the implications of the Covid crisis, and in view of the shortages in the industry's supply chain, the receipt of new narrow-body and wide-body aircraft is delayed, and the Company therefore updated the completion dates of the Procurement Plan with respect to the information published in the strategic plan that the Company released in Section 8.15 of the Description of the Corporation's Business chapter in the 2023 periodic report, and now expects to complete the majority thereof by 2030.

The economic and business benefits of the Group's investments in the aircraft fleet:

In addition to the aforesaid regarding the expansion of the Group's aircraft fleet, replacement of the narrow-body aircraft fleet by newer model aircraft is required in order to bring about the following benefits:

- Preserve and improve the **quality of product and level of service** offered to its passengers, in view of the current competition in the industry, and it is also vital in order to maintain the Company's market shares (in normal times) in the long term.
- Preservation of the Company's **brand value** as a significant element that enables the achievement of the Group's strategic targets.
- Reduction of air pollution, noise, and assistance in preserving the **environment**.
- The new aircraft are **more efficient**, and their use is expected to lead to fuel **savings** and lower maintenance costs, in accordance with the technology of the aircraft manufacturers.
- **Preservation and rejuvenation of** the average age of the aircraft fleet.

o **Procurement scenario and assumptions used to determine the Group's forecasts and targets**

Below are the Company's work assumptions in relation to aircraft procurement for determining the projected business targets (the "**Procurement Scenario**"):

- Six (6) **787 Dreamliner** wide-body aircraft (aircraft 17th-22nd, with the exercising of the option to purchase 6 additional aircraft of this model is planned beyond the year range of the strategic plan and therefore not taken into calculation at this stage).

- Increasing the seat capacity of the Boeing 777 aircraft fleet by reconfiguring them to a Dreamliner configuration (for details, see Section A.2.3 below).

- Thirty-one (31) **737 MAX** narrow-body aircraft, consisting of 20 purchased aircraft and 11 additional aircraft, some of which are purchased by way of an option exercise, and some by way of lease. Such aircraft are expected to gradually replace and expand the Company's entire existing Boeing 737 narrow-body aircraft fleet (24 aircraft of that model). The ratio between owned aircraft and aircraft leased under dry lease may vary from the assumption in the described scenario, depending on available options and the optimization of the financial structure for financing the aircraft, on the markets, and on the Company's decisions, *inter alia*, regarding the exercise of the options for the purchase of such aircraft. It is further noted that the scale of investment and the required debt volume is not significantly different between owned aircraft and leased aircraft.

- According to such assumptions, seat capacity is expected to grow by approx. 40%-45% in narrow-body aircraft and by approx. 35%-40% in wide-body aircraft.

- In the cargo sector, the increase in the passenger aircraft fleet, particularly the growth in the Company’s wide-body aircraft fleet, is expected to lead to a rise in the volume of cargo which the Company will transport in the belly holds of passenger aircraft. In addition, the Company is expected to expand its cargo operations through dedicated freighter aircraft, including by way of wet leases, as specified in the table below.

- The Company is not obligated to exercise the option to any of the aforesaid Option Aircraft, nor is it committed to enter into the lease agreements as aforesaid. Furthermore, the Company has partial flexibility to delay the receipt dates of some aircraft and conversion rights to switch the aircraft models to other Boeing models.

- For details on difficulties in the supply chain, see Section A.2.3 below.

Below is a table summarizing the number of owned and leased aircraft (passengers and cargo), including wet lease aircraft (ACMI) as of the Report Date, as well as according to the Procurement Scenario:

	Quantity of aircraft as of end of 2024		Quantity of aircraft as of end of 2028		Quantity of aircraft as of end of 2030
737 narrow-body – passengers	24		29		31
737 narrow-body – cargo	1		1		1
777 wide-body – passengers[3]	4		5		5
Wide-body – cargo	-		1		1
787 (Dreamliner) wide-body – passengers	16		19		22
ACMI (*) – passengers	3		3		3
ACMI (*) – Cargo	1		1		1
Total	49		59		64

(*) Quantity of aircraft on an annual average.

- **Development of the financial debt, gross**

According to the Procurement Scenario, the Group is expected to invest an amount estimated to range between USD 2.1 billion and USD 3.3 billion. As a result, the Company is expected to incur new financial debt concurrently with the current repayments of the existing debt as of the Report Date, in a manner that is not expected to result in a significant increase in the Company's total debt. Therefore, the ongoing debt service payment is also not expected to increase significantly, as detailed below in the available cash flow forecast for 2030. The aforesaid taking into account the available cash balance and deposits available for the Group's use as of the Report Date, which significantly reduces the effective financial debt.

- **Forecast of key projected business objectives**

	2026		2028		2030
ASK (in millions)	30,396		32,781		35,254
Revenues (USD billion)	Lower than 3.4		3.7		Higher than 4
EBITDAR/revenues	17%-21%		17%-21%		17%-21%
Debt-ratio to EBITDA					Lower than 3
Cash-balance as of period end/revenues					Higher than 15%

[3] Airworthy aircraft only.

○ **Available cash flow forecast:**

Below is the available cash flow for 2024 and the available cash flow for 2023, representing a full year of operation of the Group in normal times, as well as the available cashflow forecast for 2030:

	2023	2024	2030 (forecast)
	USD in millions		
EBITDA[4]	503	1,035	704-742
CAPEX[5]	(50)	(92)	(91)
Available cash flow (before debt service)	453	943	613-651
Repayment of loan principal[6]	(180)	(147)	(164)
Repayment of lease principal[7]	(99)	(107)	(128)
Interest payments[8]	(96)	(85)	(125)
Interest revenues	10	23	44
Available cash flow (after debt service)	88	627	240-278

The improvement in the forecasted available cash flow after procurement, relative to the available cash flow for 2023, adjusted, derives mainly from the expected growth in seat capacity in view of the procurement of new aircraft and the recommissioning of existing aircraft that were not active in 2023. The procurement of new aircraft will also improve efficiency in the fleet's fuel and aircraft maintenance expenses, which is expected to result in higher profitability for the Company.

The Company expects no significant increase in the current repayments of its gross financial debt as a result of the Procurement Plan, and further expects an increase in the available cash flow (after debt service), as presented in the table above, in view of: (a) the Company's balance of cash and cash equivalents and readily-available deposits as of the Report Date; (b) the positive cash flow that is expected, *inter alia*, in view of existing operations and the expected increase in seat offering as specified above; (c) the financial debt for the Company's existing assets is expected to be gradually repaid in the coming years. In view of the aforesaid, the Company expects that the said debt burden will not increase significantly also in consideration of future investments and dividend distributions (if and to the extent these are made as aforesaid).

The update to the strategic plan and the update to the forecasted targets as specified above, including the projected number of passengers, the Group's market share for 2030, the expected savings from the use of new aircraft, the expected number of aircraft by the end of 2030, estimates regarding the Company's financial debt, available cash flow forecast, the return to service of existing aircraft, and the expected increase in cargo flights, constitute forward-looking information as defined under the Securities Law, and are based on data, assumptions, estimates, and forecasts that may change in whole or in part, or materialize differently, and even significantly differently than expected at this time, and are highly dependent on third parties and their actions, and on events that are beyond the Company's control. The forecasts and data are based, inter alia, on the realization of the Procurement Plan, adherence of aircraft manufacturers to updated timelines, the aviation market's handling of supply chain challenges both domestically and globally, assumptions related to growth in flight activity at Ben Gurion Airport, and general demand for flights in Israel and worldwide. Any change in the aforesaid assumptions and forecasts, as well as the realization of any of the relevant risk factors for the

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[4] The forecasted EBITDA per year of operations for the year following the end of the Procurement Plan is based on the range average (19%) of the EBITDAR to turnover rate, as announced in the June 2023 report and according to the Company's strategic plan, net of rent expenses (which are not included in IFRS 16).
[5] CAPEX includes cash flows used for the purchase of assets for repair and maintenance costs (not for procurement purposes).
[6] In 2024, loan principal repayments do not include prepayment of loans. In 2023, does not include the repayment of a loan for financing aircraft advances.
[7] Lease principal repayment does not include repayments made in the same year for leases which were contractually due in previous years but were actually paid in the said years due to Covid-related postponements.
[8] Excluding payment for discounting that was accelerated due to prepayment of the Phoenix loan. In addition, interest payments include notional interest for leases in accordance with IFRS 16, as well as cash flow impact for interest rate hedging.

Company and its operations (as specified in Section 8.16 of the Description of the Corporation's Business chapter), may affect, and also significantly, the actual results and the implementation of the Group's strategic plan.

- **Capital and financing**

For details regarding capital raising rounds, exercise of warrants, and the indices in which the Company' share is included, see Note 18.A.-18.D. to the Financial Statements.

- **Investments**

According to the Company's strategic plan, the Group is examining business opportunities which are consistent with its strategic and business plan to expand the product and service mix to its customers, *inter alia* in the field of credit, insurance and finance. In this context, on 15 October 2024, the Company's Board approved the submission of a non-binding offer to invest in Isracard Ltd. ("**Isracard**"). In view of the short time limit set by Isracard (with no optional extension), and the elaborate review which the Company needs to perform in order to invest in Isracard, the Company was unable to complete all the required examinations, and therefore, according to the decision of the Company's Board of 30 October 2024, the Company withdrew its aforesaid offer. For further details see the Company's immediate reports of 16 October 2024 and 30 October 2024, respectively (Ref.: 2024-01-611264 and 2024-01-612753). The Company will continue to examine business opportunities consistent with its strategic plan to expand the product and service mix to its customers, *inter alia* via credit and finance institutions.

- **Data re activity of FFP members**

The FFP Company serves as a significant growth engine for the Company and an important platform for maintaining passenger loyalty. Below are the figures regarding the number of FFP members (in thousands), the number of "Flycard" credit cards (in thousands), and the identified purchase rate of FFP members:

	As of 31 December 2024	As of 31 December 2023
Number of FFP members (in thousands)	3,266	2,847
Number of "Flycard" credit cards (in thousands)	447	382

	For 2024	Q4/2024	For 2023	Q3/2024
Identified purchase rate of FFP members[9]	50%	53%	41%	40%

In addition, according to its strategic targets, the Group expects that by 2030 it will have approx. 4.2 million members in the FFP.

Examining business opportunities that are in line with the Group's strategic plan for the expected expansion of its product and service offerings to its customers, inter alia, through factors in the field of credit and finance, as well as the projected number of members in the FFP by 2030, constitute forward-looking information as defined under the Securities Law, and are based on data, assumptions, estimates, and forecasts that may change in whole or in part, or materialize differently, and even significantly differently than expected at this time. The forecasts and data are based, inter alia, and are highly dependent on third parties and their actions, as well as on events that are beyond the Company's control. Any change in such assumptions and forecasts, as well as the realization of any of the relevant risk factors for the Company and its operations (as specified in Section 8.16 of the Description of the Corporation's Business chapter), may affect, and also significantly, the actual results.

[9] The identified purchase rate of FFP members was calculated based on the ratio between the revenues from flights associated with FFP members and the total revenues from flights.

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

A.1 Key Figures

Quantitative key figures for 2024, year-over-year (USD in millions):

	2024	% of turnover	2023	% of turnover
Revenues from operations	3,431.8	100%	2,503.1	100%
EBITDA	1,035.4	30.2%	503.3	20.1%
EBITDAR	1,111.7	32.4%	556.2	22.2%
Pre-tax profit	677.6	19.7%	125.1	5.0%
Net profit for the period	544.9	15.9%	116.7	4.7%
Cashflow from operating activities	1,446.5		453.1	
Available cashflow (after debt service)	627.0		88.4	
Closing balance cash and readily-available deposits	1,443.8		405.7	

Key points:

Against the backdrop of the above introduction to the Board Report, in 2024, the Group's revenues reached more than USD 3.4 billion (an increase of approx. USD 928.7 million year-over-year), the EBITDAR for 2024 doubled year-over-year (an increase of approx. USD 555.5 million) and consequently, pre-tax profit increased by approx. USD 552.5 million year-over-year and amounted to approx. USD 677.6 million, and net profit totaled approx. USD 544.9 million, an improvement of approx. USD 428.2 million compared with 2023. The increase in revenues and profitability figures derives mainly from the following factors:

- **Load factor:** the gaps between supply and demand at BGA as provided in the above introduction which led to peak demand for the Company's flights throughout the year, increased the load factor for 2024 to particularly high levels of approx. 93.8% compared to a load factor of approx. 86.3% last year. The increase in the load factor itself resulted, in the Company's estimate, in an increase of approx. USD 196.3 million in the Company's profitability in 2024 year-over-year.

- **Capacity:** throughout the period that started when recovery from the Covid crisis began, the Company constantly continues the trend of building-up its production capacity, including pilot and aircrew training, employee onboarding, receipt and recommissioning of aircraft and so forth, according to the Company's strategic and business plans. In addition, and to meet the growing demand for its flights during the year, the Company made several operating and commercial adjustments enabling it to increase production capacity even more, as provided in the above introduction. Consequently, the number of seats offered by the Company (weighted by flight distance – ASK) increased by approx. 11.8% year-over-year. For the table of aircraft operated by the Group, see Section A.2.3. below.

- **RASK:** the increase in RASK by approx. 24.2% year-over year, derives from the aforesaid increase in the load factor and from the increase by approx. 14.2% in RRPK. The increase in the RRPK was *inter alia* as a result of a change in the mix of tickets (Lite, Classic, Flex) purchased by customers, an increase in the demand for seats in premium and business classes, a change in the mix of destinations and the Company focusing on main destination, and in view of the high load factor causing the purchase of the last "marginal" seats on the aircraft, which are usually sold at higher prices. Note that net of these effects, the rate of increase in RRPK for economy class passengers is lower.

- **Cargo:** due to the reduction in the flights of the foreign airlines and in view of the decrease in maritime transport to Israel due to the geopolitical situation in the Red Sea, the offered capacity for cargo shipping to and from Israel decreased, leading to increased demand for flying cargo in the Company's aircraft, both in the cargo hold of the passenger aircraft and in all-cargo aircraft. Consequently, there was an increase in the cargo revenues year-over-year such that 2024 cargo revenues amounted to approx. USD 266.8 million, constituting an increase of approx. USD 102.1 million year-over-year, the majority of which was translated into a direct increase in the company's profitability.

- **Financing:** the business results for 2024 were positively impacted also by the improvement in the Group's financing item (net financing expenses from financing income), by approx. USD 47.1 million year-over-year, resulting mostly from an increase in interest revenues from deposits, in view of the significant increase in the Group's liquidity balances, which reduce its net financial debt and from a decline in the debt burden related to loans and leases and from an improvement in rate differentials deriving mainly from the appreciation of the dollar against the Japanese Yen.

Available cash flow:

The following table presents the Company's available cash flow for 2024 compared with 2023:

	2024	2023	2024 v. 2023
	Dollars in millions		
EBITDA	1,035.4	503.3	532.1
CAPEX[10]	(92.1)	(50.2)	(41.9)
Available cash flow (before debt service)	943.3	453.1	490.2
Repayment of loan principal[11]	(147.4)	(180.0)	32.6
Repayment of lease principal[12]	(106.8)	(98.9)	(7.9)
Interest payments, net[13]	(62.1)	(85.8)	23.7
Available cash flow (after debt service)	627.0	88.4	538.6

The Available cash flow for 2024 before the debt service amounted to approx. USD 943.3 million, and after debt service, to approx. USD 627.0 million. The steep increase in the available cash flow derives mainly from improvement in the business results but also from the decline in the net financial debt burden, as reflected in the decrease in the loan principal payments and the decrease in the (net) interest payments, which was materially affected also as a result of the increase in the income from interest on deposits in view of the increase in the liquidity balances in the report period.

The increase in capital expenditures (CAPEX) is primarily due to a growth of approx. USD 16.8 million for the purchase of spare parts, consumables, and rotables, due to an expansion in activity. In addition, a growth of approx. USD 5.7 million is attributed to engine overhauls, and an increase of approx. USD 11.6 million is due to an increase in investments in information technologies, which primarily included investments in development, acquisition of software and hardware. Note that the CAPEX investments in 2024 are high relative to the activity, due to an excess of investments in this year resulting from the completion of investments for previous years, including the impact of the recovery and the rebuilding of manufacture capacity following the Covid crisis.

Development of cash and cash equivalents and readily-available deposits:

[10] CAPEX includes cash flow used for asset purchase (mostly spare parts and devices) for repair and maintenance costs (not for procurement purposes).
[11] In 2024, repayment of loan principal excludes prepayments of loans. In 2023, does not include repayment of loan to finance aircraft advance payments.
[12] Lease principal repayment does not include repayments made in the same year for leases which were contractually due in previous years but were actually paid in the said years due to Covid-related postponements.
[13] Excluding payment for discounting that was accelerated due to the prepayment of the Phoenix loan. In addition, the interest payments include notional interest for leases pursuant to IFRS 16 and cash flow impact due to interest rate hedging.

	2024	2023	2024 v. 2023
	Dollars in millions		
Opening balance of cash and cash equivalents, including readily-available deposits	405.7	283.4	122.3
Available cash flow (after debt service)	627.0	88.4	538.6
Issuance of shares and exercise of stock options	193.5	20.5	173.0
Procurement of assets, net[14]	(103.8)	(80.6)	(23.1)
Taking of loan principal (net of financing fee and PDP loan)	-	100.1	(100.1)
Payment of loan from control holder	(60.2)	-	(60.2)
Other (mainly changes in working capital)	381.4	(6.0)	387.5
Closing balance of cash and cash equivalents, including readily-available deposits	1,443.8	405.7	1,038.1

Below are figures regarding development of the Company's financial debt starting from 2019 until the report date.

Financial debt and debt to EBITDA ratio:

	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022	31 Dec. 2019
	Dollars in millions			
Financial debt, gross[15]	1,519.1	1,834.6	2,020.9	2,235.6
Cash and cash equivalents, including readily-available deposits	1,443.8	405.7	283.4	229.3
Financial debt, net	75.3	1,428.9	1,737.4	2,006.3
EBITDA[16]	1,035.4	503.3	307.5	243.1
Financial debt, net to EBITDA ratio	0.1	2.8	5.6	8.3

Below are key figures for Q4/2024, relative to the Same Quarter Last Year and relative to Q3/2024 (USD in millions):

Against the background of the business environment during the War, as explained above, in order to analyze the changes in the Company's business development in this quarter, the Company analyzed the key results, in addition to the regular seasonal comparison to the Same Quarter Last Year (year-over-year), also relative to Q3/2024 (quarter-over-quarter).

[14] Net from sale of assets.
[15] Including leases (other than leases not covered by IFRS 16 – mainly ACMI).
[16] The EBITDA is for a period of 12 months ended on the relevant date in each of the periods.

	Q4 2024	% of turnover	Q4 2023	% of turnover	Q3 2024	% of turnover
Revenues from operations	851.3	100%	677.8	100%	1,003.5	100%
EBITDA	249.4	29.3%	151.8	22.4%	336.0	33.5%
EBITDAR	275.1	32.3%	161.0	23.8%	360.1	35.9%
Pre-tax profit	139.0	16.3%	39.8	5.9%	245.7	24.5%
Net profit for the period	129.6	15.2%	39.7	5.9%	187.4	18.7%
Net cashflow from operating activities	355.0		171.6		320.1	
Available cashflow (after debt service)	142.6		63.3		225.6	
Cash and readily-available deposits at the end of the period	1,443.8		405.7		1,250.0	

Key points:

Against the backdrop of the above introduction to the Board Report, the Group's revenues in Q4/2024 amounted to a total of approx. USD 851.3 million (an increase of approx. USD 173.5 million compared with the Same Quarter Last Year, the EBITDAR for Q4/2024 was approx. USD 275.1 million (an increase of approx. USD 114.1 million compared to the Same Quarter Last Year) and consequently, this quarter, the pre-tax profit increased by approx. USD 99.1 million compared with the Same Quarter Last Year and amounted to approx. USD 139.0 million, and the net profit amounted to approx. USD 129.6 million, an improvement of approx. USD 89.9 million compared to the same period last year. The increase in the revenues and profitability derives mainly from the following factors:

- Revenues this quarter totaled approx. USD 851.3 million. The increase of approx. USD 173.5 million in revenues from operations compared to the Same Quarter Last Year primarily derives from an increase in passenger operations. Available seat kilometer (ASK) increased by approx. 9.2% compared to the Same Quarter Last Year, with the continued build-up of production capacity following recovery from the Covid crisis. Revenue per seat (RASK) increased by approx. 21.0%, deriving from a considerable and irregular increase in the load factor rate to approx. 96.2% and from an increase in revenue passenger kilometers (RRPK). On the other hand, there was a decrease in cargo revenues of approx. USD 3.4 million compared to the Same Quarter Last Year.

- Pre-tax profit for this quarter totaled approx. USD 139.0 million, compared with pre-tax profit of approx. USD 39.8 million in the Same Quarter Last Year, an improvement of approx. USD 99.1 million, and the net profit this quarter amounted to approx. USD 129.6 million compared to net profit of approx. USD 39.7 million in the Same Quarter Last Year. The increase in profitability as aforesaid, derives mostly from the following:

    - **Capacity:** in the year since the end of Q1/2023, the Company continued the trend of building up its production capacity, upon the recovery from the Covid crisis, and in this context it continued with pilot and aircrew training, employee onboarding, receipt and recommissioning of aircraft and so forth, according to the Company's strategic and business plans. Consequently, the number of seats offered by the Company (weighted by flight distance – ASK) increased by approx. 9.2% compared to the Same Quarter Last Year.

    - **Load factor**: as explained in the above introduction to the Board Report regarding the gaps between demand and supply in the market which led to increased demand for the Company's flights, the load factor throughout 2024 was unusually high, including in Q4/2024 in which the load factor reached exceptionally high levels of approx. 96.2%, relative to a load factor of approx. 84.2% in the Same Quarter Last Year. The increase in load factor resulted, in the Company's estimate, in an increase of approx. USD 82.8 million in its profitability in Q4/2024 compared with the Same Quarter Last Year.

- RASK: the increase in RASK by approx. 21.0% compared with the Same Quarter Last Year, derives from the aforesaid increase in the load factor and the increase by approx. 6.1% in RRPK mainly as a result of a change in the mix of destinations and focusing on main destinations, from a change in the mix of tickets purchased by customers (Classic, Flex, Lite), an increase in the demand for seats in premium and business classes, and the effect of the high load factor which is causing the purchase of the last "marginal" seats on the aircraft, which are usually sold at higher prices.

- Financing: the business results for Q4/2024 were positively impacted also by the improvement in the Group's financing expenses, by approx. USD 16.5 million year-over-year, resulting mostly from an increase in interest revenues from deposits, in view of the significant increase in the Group's liquidity balances, which reduce its net financial debt and from a decline in the debt burden related to loans and leases and from an improvement in rate differentials deriving mainly from the appreciation of the dollar against the Japanese Yen.

Comparison of the Q4/2024 results to the results of Q3/2024:

In Q4/2024, despite the general trend of improvement and build-up of production capacity, the Company decreased the ASK by ~18.1% compared to Q3/2024, mainly for the following reasons: (a) the Company decreased its winter-season ASK, compared to the summer-season and holidays ASK, with the aim of meeting, as much as possible, the higher demand seen in any event in the summer, which is further intensified by the current security conditions leading to partial and unstable operations of foreign airlines, considering the management of the operating hours of the aircrews, with which the Company must comply according to the monthly and annual flight hour limitations set by the CAAI regulations, as stipulated in Regulation 465A of the Flight Regulations (Operation of Aircraft and Flight Rules), 5742-1981; (b) in this quarter, some of the aircraft were under maintenance and renovation, this too against the Company's effort to perform these activities off-season; (c) fewer work days as a result of the holiday dates (reducing ASK by ~5%) in this quarter compared with the previous quarter. On the other hand, RASK increased by approx. 2.4%, mainly as a result of additional increase in PLF (96.2% this quarter, compared with 93.8% in the previous quarter).

Available cash flow:

The following table presents the Company's available cash flow this quarter, compared to the Same Quarter Last Year and quarter-over-quarter:

	Q4 2024	Q4 2023	Q4 2024 v. Q4 2023	Q3 2024	Q4 2024 v. Q3 2024
	USD in millions				
EBITDA	249.4	151.8	97.6	336.0	(86.6)
CAPEX[17]	(28.6)	(9.5)	(19.0)	(27.2)	(1.4)
Available cash flow (before debt service)	220.8	142.2	78.6	308.8	(88.1)
Repayment of loan principal[18]	(35.2)	(39.0)	3.7	(38.0)	2.8
Repayment of lease principal[19]	(31.0)	(17.6)	(13.4)	(31.2)	0.2
Interest payments, net[20]	(12.0)	(22.4)	10.4	(14.0)	2.0
Available cash flow (after debt service)	142.6	63.3	79.3	225.6	(83.1)

[17] CAPEX includes cash flow used for asset purchase (mostly spare parts and devices) for repair and maintenance costs (not for procurement purposes).
[18] In 2024, repayment of loan principal excludes prepayments of loans. In 2023, excluding repayment of a loan to finance aircraft advance payments.
[19] Lease principal repayment does not include repayments made in the same year for leases which were contractually due in previous years but were actually paid in the said years due to Covid-related postponements.
[20] Excluding payment for discounting that was accelerated due to prepayment of the Phoenix loan. In addition, interest payments include notional interest for leases in accordance with IFRS 16, as well as cash flow impact for interest rate hedging

The change in available cash flow derives mainly from the gaps in the business results and is affected (quarter-over-quarter) from the decline in the debt burden, and from the increase in income from interest on deposits in view of the increase in liquidity balances and decline of the Company's financial debt (net) in the report period. The aforesaid despite the fact that in Q4/2023, with the outbreak of the War, lease aircraft payments at a scope of approx. USD 8 million, have been deferred.

Development of cash and cash equivalents and readily-available deposits:

	Q4 2024	Q4 2023	Q4 2024 v. Q4 2023	Q3 2024	Q4 2024 v. Q3 2024
	USD in millions				
Opening balance of cash and cash equivalents, including readily-available deposits	1,250.0	302.8	947.3	1,089.6	160.5
Available cash flow (after debt service)	142.6	63.3	79.3	225.7	(83.1)
Issuance of shares and exercise of stock options	18.8	-	18.8	0.8	18.0
Procurement of assets, net[21]	(36.8)	(7.0)	(29.9)	(38.7)	1.9
Other (mainly changes in working capital)	69.1	46.6	22.5	(27.3)	96.6
Closing balance of cash and cash equivalents, including readily-available deposits	1,443.8	405.7	1,038.1	1,250.0	193.8

A.2 Development of the business environment and operating measures

A.2.1 The Company's business environment

For the year ended 31 December 2024:

Global trends in the aviation industry:

For further details, see Section 6.1 of the Description of the Corporation's Business chapter.

Passenger traffic at BGA and market share[22]:

In 2024 and against the backdrop of the changing security conditions throughout the year, passenger traffic in BGA decreased by approx. 34% compared to 2023. Foreign airlines, from the very first days of the War, intermittently cancelled and resumed some of their flight to and from Israel, depending on security events. The frequently changing security conditions and the instability which are typical to war times caused frequent changes and increased uncertainty with respect to the pace and scope of the return and operations of the foreign airlines.

For details regarding the expected competition in 2025, including the competition in Q1 of that year, see Section 7.8.2 of the Description of the Corporation's Business chapter above.

[21] Net from sale of assets.
[22] The rate of change presented in the tables – "Passenger traffic at BGA – incoming tourists and outgoing residents" and "Traffic of significant competitors" – are year-over-year and quarter-over-quarter.

The tables below describe the development and breakdown of passenger traffic at BGA in the Report Period, by outgoing residents and incoming tourists, and by geographical regions, traffic of key competitors and the Company's market share – in general and by geographical areas.

For details on passenger traffic at BGA and the Group's market share in 2024, see below.

Passenger traffic at BGA – incoming tourists and outgoing residents[23]

		2024	2023	2024 v. 2023
Passenger traffic at BGA	Flight segment in millions	13.9	21.1	(34.2%)
Outgoing residents	Passenger in millions	6.3	8.0	(21.8%)
Incoming tourists	Passenger in millions	0.9	2.7	(66.8%)

Passenger traffic (direct flights[24]) – passenger segments in millions, by geographical region[25]

Region	2024	2023
Trans-Atlantic	1.3	2.2
Europe	10.9	16.5
Middle East & Africa	1.1	1.8
Far East	0.5	0.6
Total	**13.9**	**21.1**

[23] Outgoing residents – by air only. Incoming tourists – by air, excluding day visitors as defined by the Central Bureau of Statistics (CBS).
[24] These figures are based on the data of the Israel Airport Authority (IAA), broken down by direct flight destination and do not distinguish the final destination of passengers on "sixth freedom of the air" flights.
[25] The regions in the table also include destinations to which the Company does not fly. The breakdown of the regions has changed and was mostly adjusted to the methodology by which IATA is operating, *inter alia* in view of new destinations to which the Company flies, and currently reflects the following four regions: Trans-Atlantic (North and South America countries), Europe, Middle East & Africa and the Far East.

Key competitors' traffic[26]

Airline	Airline type	Market share at BGA 2024	Passenger traffic 2024 (in thousands)	Passenger traffic 2023 (in thousands)	Change in passenger traffic 2024 Vs. 2023
El Al and Sundor	Commercial	47.5%	6,590.5	5,539.1	19.0%
Israir	Low-cost	10.6%	1,468.8	1,003.7	46.3%
Arkia	Low-cost	7.5%	1,040.1	724.0	43.7%
Wizz Air	Low-cost	4.6%	640.0	1,998.2	(68.0%)
Flydubai	Low-cost	4.0%	551.3	285.6	93.0%
Blue Bird Airways	Low-cost	3.8%	525.5	425.2	23.6%
Aegean Airlines	Commercial	1.9%	258.5	367.9	(29.7%)
Tus Airways	Commercial	1.5%	202.4	184.4	9.8%
Ethiopian Airlines	Commercial	1.2%	165.8	131.6	26.0%
Lufthansa	Commercial	1.1%	150.6	440.6	(65.8%)
Austrian Airlines	Commercial	1.0%	132.6	212.6	(37.6%)

The Company's market share and breakdown of passengers at BGA by airline type[27] [28]

Airline type	2024	2023
El Al and Sundor	47.5%	26.3%
Commercial (excluding El AL)	14.7%	31.3%
Low-cost	34.7%	39.1%
Charter (excluding Sundor)	3.2%	3.4%

[26] Market share figures are based on IAA data. To clarify, some of the airlines operate flights to Israel also from destinations which are not their main hub. The selected airlines are the Company's key competitors as of the report year. Airlines are added or detracted from time to time following a material increase in their market share.
[27] Airline classification was made at the Company's discretion, since as of shortly before approval of the report, such classification is not clearly defined. The breakdown of passenger traffic is based on IAA data.
[28] Figures for comparison periods were retroactively updated according to the changed classification of some of the airlines.

Company's market share by geographical region[29]

Region	2024	2023
Trans-Atlantic	90.7%	42.3%
Europe	44.5%	24.3%
Middle East & Africa	11.1%	16.2%
Far East	75.2%	51.9%
El Al and Sundor market share	**47.5%**	**26.3%**

Cargo traffic at BGA

The cancellations of some passenger flights of foreign airlines resulted in significant reduction in the capacity of cargo transport to and from Israel. At the same time, the activity of all-cargo aircraft increased by more than 31% (in particular Challenge Airlines, EAT – European Air Transport and Silk Way Airlines) compared with 2023, such that in total, cargo traffic at BGA moderately increased by approx. 1.2% year-over-year, and the Company's market share grew from 22.8% to 28.7%.

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

Cargo traffic at BGA – import and export[30]

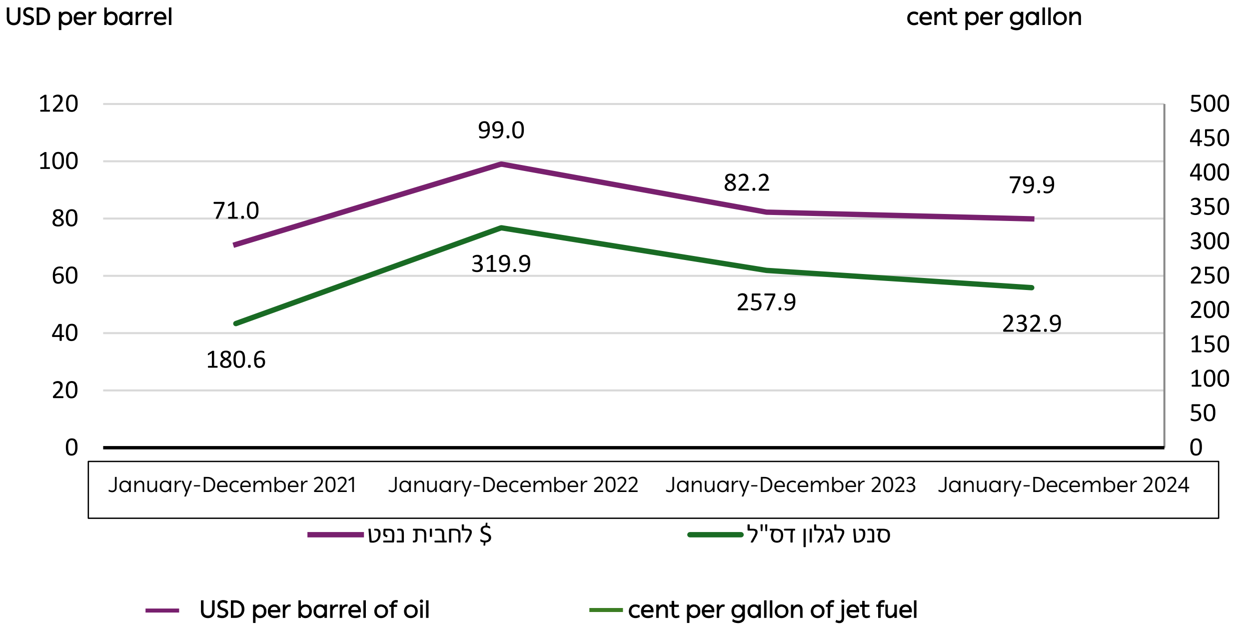
	2024	2023	2024 Vs. 2023
Total cargo (Tons in thousands)	347.7	343.6	1.2%
Cargo import (Tons in thousands)	223.6	213.8	4.6%
Cargo export (Tons in thousands)	124.1	129.8	(4.4%)

[29] The regions in the table include destinations to which the Company does not fly. The market share calculation is based on El Al flights as well as Sundor flights.
[30] These figures are the Company's estimate, based on the analysis of IAA figures and including cargo transported in all-cargo aircraft as well as the cargo hold of passenger aircraft.

Jet fuel:

Jet fuel prices decreased in 2024 by approx. 9.7% year-over-year, in view of the stabilization of prices after the price increase in 2022 following the quick recovery from the Covid crisis and considering the impact of the geopolitical situation with respect to the Russia-Ukraine war that began in February 2022. The Company is acting to offset the impact of the changes in jet fuel prices, *inter alia* by adjusting selling prices and executing hedging transactions according to its available facilities and hedging policy. For further details on the impact of the change in jet fuel prices on the Company's results, see Section A.3 below.

Development of the average market price of jet fuel and crude oil[31]:



For the three-month period ended 31 December 2024:

Passenger traffic at BGA and market share[32]:

This quarter, passenger traffic at BGA decreased by approx. 37.6% compared to the Previous Quarter. At the same time, traffic reflects an increase of approx. 45.7% compared to the Same Quarter Last Year.

Traffic of both outgoing residents and incoming tourists decreased This quarter compared to the Previous Quarter. At the same time, there was an increase compared to the Same Quarter Last Year, both in outgoing resident traffic and incoming tourist traffic, while the increase in outgoing resident traffic is very steep.

As for the Company's market share, in Q4/2024 the Company's market share is 52.4%, a decrease of approx. 6.5 percentage points compared to the Same Quarter Last Year. Relative to the Previous Quarter, there was an increase of approx. 11.2 percentage points.

[31] Source: Bloomberg.
[32] The rate of change presented in the tables "Passenger traffic at BGA – incoming tourists and outgoing residents" and "Traffic of significant competitors" are year-over-year and quarter-over-quarter.

Passenger traffic at BGA – incoming tourists and outgoing residents[33]

		Q4 2024	Q4 2023	Q4 2024 v. Q4 2023	Q3 2024	Q4 2024 v. Q3 2024
Passenger traffic at BGA	Flight segment in millions	3.0	2.1	45.7%	4.9	(37.6%)
Outgoing residents	Passenger in millions	1.4	0.8	78.5%	2.3	(39.8%)
Incoming tourists	Passenger in millions	0.18	0.16	15.3%	0.2	(24.6%)

Passenger traffic (direct flights[34]) – passenger segments in millions, by geographical region[35]

Region	Q4 2024	Q4 2023	Q3 2024
Trans-Atlantic	0.3	0.3	0.4
Europe	2.2	1.5	4.0
Middle East & Africa	0.3	0.2	0.3
Far East	0.1	0.1	0.1
Total	**3.0**	**2.1**	**4.9**

[33] Outgoing residents – by air only. Incoming tourists – by air, excluding day visitors as defined by the Central Bureau of Statistics (CBS).
[34] The figures are based on the data of the IAA, broken down by direct flight destination and do not distinguish the final destination of passengers on "sixth freedom of the air" flights.
[35] The regions in the table include destinations to which the Company does not fly. The breakdown of the regions has changed and was mostly adjusted to the methodology by which IATA is operating, *inter alia* in view of new destinations to which the Company flies, and currently reflects the following four regions: Trans-Atlantic (North and South America countries), Europe, Middle East & Africa and the Far East.

Key competitors' traffic[36]

Airline	Airline type	Market share at BGA Q4/2024	Passenger traffic Q4/2024 (in thousands)	Passenger traffic Q4/2023 (in thousands)	Change in passenger traffic year-over-year	Passenger traffic Q3/2024 (in thousands)	Change in passenger traffic quarter-over-quarter
El Al and Sundor	Commercial	52.4%	1,587.8	1,224.7	29.6%	1,998.5	(20.6%)
Israir	Low-cost	14.0%	424.6	166.3	155.3%	565.6	(24.9%)
Arkia	Low-cost	10.1%	306.0	86.0	255.7%	383.3	(20.2%)
Flydubai	Low-cost	5.3%	160.4	42.5	277.2%	163.4	(1.9%)
Blue Bird Airways	Low-cost	3.0%	92.1	32.2	185.9%	221.4	(58.4%)
Tus Airways	Commercial	1.8%	53.1	19.9	166.4%	80.4	(34.0%)
Ethiopian Airlines	Commercial	1.5%	44.1	15.9	176.8%	47.8	(7.8%)
Etihad Airways	Commercial	1.3%	40.1	17.6	127.3%	29.1	37.6%
Smartwings	Low-cost	1.2%	36.9	3.1	1102.3%	34.6	6.5%
Red Wings Airlines	Commercial	0.8%	24.1	12.1	99.3%	35.2	(31.5%)
Georgian Airways	Commercial	0.7%	20.5	6.1	234.6%	6.8	201.5%

The Company's market share and breakdown of passengers at BGA by airline type[37][38]

Airline type	Q4 2024	Q4 2023	Q3 2024
El Al and Sundor	52.4%	58.9%	41.2%
Commercial (excluding El AL)	7.9%	12.9%	14.6%
Low-cost	36.8%	24.9%	39.6%
Charter (excluding Sundor)	2.9%	3.2%	4.7%

[36] Market share figures are based on IAA data. To clarify, some of the airlines operate flights to Israel also from destinations which are not their main hub. The selected airlines are the Company's key competitors as of shortly before approval of the report. Airlines are added or detracted from time to time following a material increase in their market share.

[37] Airline classification was made at the Company's discretion, since as of shortly before approval of the report, such classification is not clearly defined. The classification is based on each airline's key operations. The breakdown of passenger traffic is based on IAA data.

[38] Figures for comparison periods were retroactively updated according to the changed classification of some of the airlines.

Company's market share by geographical region[39]

Region	Q4 2024	Q4 2023	Q3 2024
Trans-Atlantic	97.5%	88.6%	86.4%
Europe	51.0%	56.8%	38.2%
Middle East & Africa	13.0%	18.4%	6.9%
Far East	80.2%	72.5%	70.6%
El Al and Sundor market share	**52.4%**	**58.9%**	**41.2%**

Cargo traffic at BGA

The activity of all-cargo aircraft increased by more than 27% (in particular Challenge Airlines, EAT – European Air Transport and Silk Way Airlines) compared to the Same Quarter Last Year, such that in total, cargo traffic at BGA increased by approx. 20% compared to the Same Quarter Last Year. However, the Company's market share decreased from 32.0% to 28.7%.

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

Cargo traffic at BGA – import and export[40]

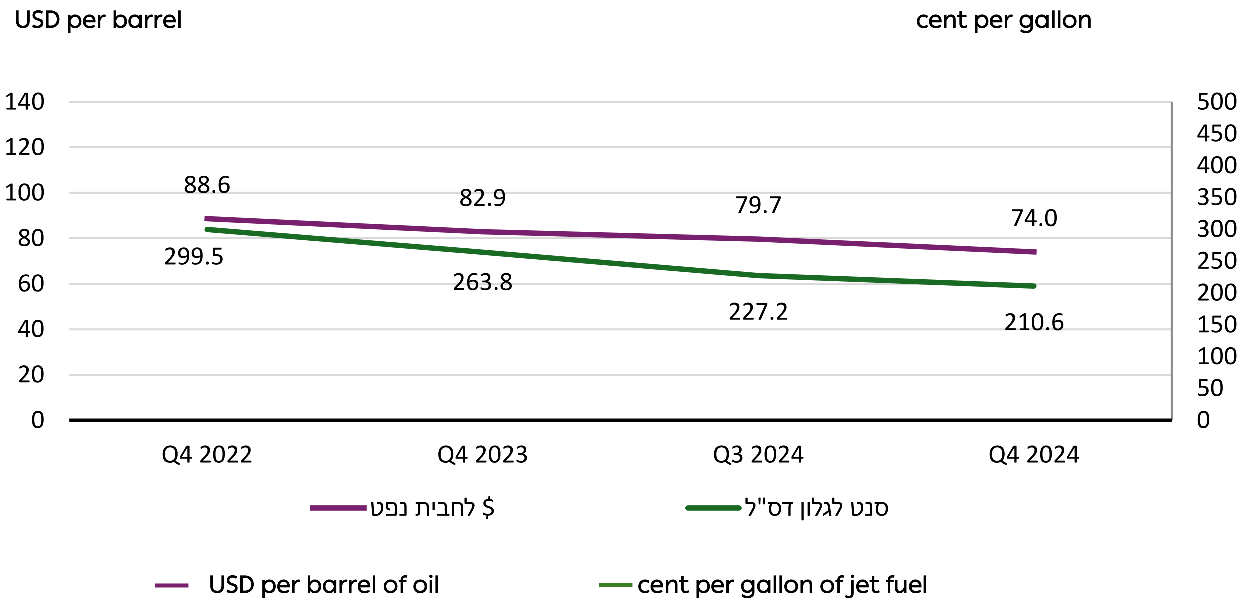
	Q4 2024	Q4 2023	Q4 2024 Vs. Q4 2023	Q3 2024	Q4 2024 Vs. Q3 2024
Total cargo Tons in thousands	91.3	76.1	20.0%	88.1	3.6%
Cargo import Tons in thousands	59.0	47.5	24.3%	56.1	3.6%
Cargo export Tons in thousands	32.3	28.6	12.8%	32.0	0.1%

[39] The regions in the table also include destinations to which the Company does not fly. The market share calculation is based on El Al flights as well as Sundor flights.
[40] These figures are the Company's estimate, based on the analysis of IAA figures and including cargo transported in all-cargo aircraft as well as the cargo hold of passenger aircraft.

Jet fuel:

Jet fuel prices decreased in Q4/2024 by approx. 20.2% compared with the jet-fuel prices in the Same Quarter Last Year. The Company is acting to offset the impact of the changes in jet fuel prices, *inter alia* by adjusting selling prices and executing hedging transactions according to its available facilities and hedging policy. For further details on the impact of the change in jet fuel prices on the Company's results, see Section A.3 below.

Development of the average market price of jet fuel and crude oil[41]



Exchange rates:

The table below presents the average ILS/USD exchange rates, ILS/USD closing rate and JPY/USD closing rate for each quarter in 2022-2024.

In Q4/2024, the USD depreciated against the ILS by approx. 3.2% on average compared with the Same Quarter Last Year, while in 2024, the USD strengthened against the ILS by approx. 0.4% on average relative to 2023.

The average exchange rates impact the Company's expenses in ILS, mostly for salaries. The appreciation of the average USD/ILS exchange rate has a positive impact on the Company's business results. The Company's revenues are mostly in USD, whereas salary expenses and other ILS expenses are mostly in ILS[42].

As of 31 December 2024, the ILS/USD exchange rate was approx. 3.65, compared with approx. 3.63 as of 31 December 2023, reflecting appreciation of the USD to the ILS by approx. 0.55%. Such exchange rates impact the balances on the Company's balance sheet, which are stated in ILS. For further details also on the influence of the JPY, including on a number of loans taken by the Company in that currency, see Part B below on exposure to and management of market risks.

The table below presents the development of USD/ILS average and closing rates and JPY/USD closing rate, from 2022:

[41] Source: Bloomberg
[42] Without taking into consideration the positive impact of the appreciation of the ILS v. the USD on the available income of Israeli consumers in USD terms, which has a positive impact on the demand for flights.

Development of ILS/USD and CNY/USD exchange rates:

	ILS/USD average exchange rate	ILS/USD closing rate	JPY/USD closing rate
Q1/2022	3.20	3.18	121.83
Q2/2022	3.35	3.50	136.39
Q3/2022	3.40	3.54	144.32
Q4/2022	3.49	3.52	131.95
Y2022	3.36	3.52	131.95
Q1/2023	3.54	3.62	133.55
Q2/2023	3.65	3.70	144.63
Q3/2023	3.75	3.82	149.03
Q4/2023	3.82	3.63	141.48
Y2023	3.69	3.63	141.48
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
2024	3.70	3.65	156.62

A.2.2 Operating measures[43]

For the year ended 31 December 2024:

Below are the Group's operating measures. Also see the above introduction to the Board Report and Section A.1 above with respect to key figures.

	2024	2023	Year over year
Activity volume and passenger traffic			
Passenger segments, commercial and charter (paying passengers) – in thousands	6,448	5,410	19.2%
Total market share – %	47.5%	26.3%	80.6%
ASK – in millions (1)	28,008	25,063	11.8%
RPK – in millions	26,262	21,617	21.5%
Passenger load factor (PLF) – %	93.8%	86.3%	8.7%
Block HRS in wide-body passenger aircraft– in thousands	84.2	75.3	11.8%
Block HRS in narrow-body passenger aircraft– in thousands	91.3	81.4	12.2%
Time-weighted active aircraft	44.9	41.6	8.0%

[43] The operating measures included in this Section also include flights operated by "wet" lease aircraft (the lease of an aircraft with its crew)

Cargo traffic			
Tons of transported cargo – in thousands	90.6	68.7	31.9%
Revenue Ton Kilometers (RTK) – in millions	528.3	409.8	28.9%
Profitability measures			
RRPK	12.0	10.5	14.2%
RASK	11.2	9.0	24.2%
TRASK	12.3	10.0	22.7%
CASK	9.5	9.0	6.1%
CASK excluding fuel	7.4	6.7	9.6%

(1) An increase of approx. 11.8% in Available Seat Kilometers (ASK), as build-up of production capacity continues after emerging from the Covid crisis. In July 2023, the 16th aircraft, model 787, was added to the Company's aircraft fleet and operated throughout 2024 and for one-half of 2023. In addition, two 777 aircraft were commissioned after a reconfiguration process for the Dreamliner configuration in August 2023 and November 2023, respectively. The two operated throughout 2024. It is further noted that the Company operates additional wet-lease aircraft. For further details, see Chapter A.2.3. below.

For the three-month period ended 31 December 2024:

	Q4 2024	Q4 2023	Q4 2024 Vs. Q4 2023	Q3 2024	Q4 2024 Vs. Q3 2024
Activity volume and passenger traffic					
Passenger segments, commercial and charter (paying passengers) – in thousands	1,554	1,192	30.4%	1,956	(20.5%)
Total market share – %	52.4%	58.9%	(11.0%)	41.2%	27.2%
ASK – in millions (2)	6,609	6,049	9.2%	8,071	(18.1%)
RPK – in millions	6,357	5,095	24.8%	7,573	(16.1%)
Passenger load factor (PLF) – %	96.2%	84.2%	14.2%	93.8%	2.5%
Block HRS in wide-body passenger aircraft– in thousands	19.9	19.7	14.1%	23.2	(18.6%)
Block HRS in narrow-body passenger aircraft– in thousands	21.8	16.8	29.8%	28.0	(22.1%)
Time-weighted active aircraft	45.2	40.7	11.1%	46.6	(3.0%)
Cargo traffic					
Tons of transported cargo – in thousands	24.0	22.3	7.3%	22.1	8.2%
Revenue Ton Kilometers (RTK) – in millions	137.0	129.3	6.0%	133.1	2.9%
Profitability measures					

RRPK	12.2	11.5	6.1%	12.2	(0.2%)
RASK	11.8	9.7	21.0%	11.5	2.4%
TRASK	12.9	11.2	15.0%	12.4	3.6%
CASK	10.2	9.8	4.1%	9.1	12.1%
CASK excluding fuel	8.2	7.3	11.4%	7.0	16.7%

(2) An increase of approx. 9.2% in the capacity offered by the Company which was expressed in an increase in the Available Seat Kilometers (ASK) compared with the corresponding quarter, as part of a trend of rehabilitation and build-up and even expansion of production capacity after the emergence from Covid. The said increase derives from the addition of a 777 aircraft which was returned to service after undergoing a reconfiguration process to the Dreamliner configuration in November 2023, and was in operation throughout 2024. The Company also operates aircraft under wet leases. For further details, see Chapter A.2.3 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 Passenger Kilometer – RRPK	Reflects the average revenue per paying customer weighted by kilometer.
Revenue per ASK - RASK	Passenger revenues divided by ASK. Reflects the average income per seat, weighted by kilometer.
Cost per ASK – CASK	Operating expenses[44] divided by ASK. Reflects the average cost per seat weighted by kilometer.
Total Revenue per ASK – TRASK	Total revenues divided by ASK. Reflects the Company's total revenues per seat weighted by kilometer.
Revenue Ton Kilometer – RTK	Weight, in tons, of paid cargo transport multiplied by the flight distance.

A.2.3 Production capacity - aircraft fleet

The table below presents the Company's aircraft fleet as of the Report Date (31 December 2024) and its development between the reporting periods:

Aircraft fleet (passenger and cargo):	2024	2023
No. of aircraft at the end of the period – in units	47	47
No. of operational aircraft at the end of the period – in units	45	44
Average age of the aircraft fleet at the end of the period – in years	13.8	12.8

[44] Operating expenses net of certain other expenses (revenues) e.g.: capital gains and revaluation of phantom options.

The table below presents the breakdown of the aforesaid aircraft fleet by type (excluding wet-leased aircraft) as of 31 December 2024:

Aircraft fleet:	Type	No. of seats per aircraft type (on average)	Aircraft in service	Aircraft not in service	Total	Average age	Owned	Leased
737-800	Passenger – narrow-body	169	16	-	16	20.3	7	9*
737-900	Passenger – narrow-body	175	8	-	8	10.0	8	-
777-200	Passenger – wide-body	279	2	2**	4	23.6	4	-
777-200	Passenger – wide-body in Dreamliner configuration	313	2	-	2	17.4	2	-
787-8 (Dreamliner)	Passenger – wide-body	238	4	-	4	4.1	4	-
787-9 (Dreamliner)	Passenger – wide-body	271	12	-	12	6.3	4	8
737-800	Cargo – Narrow-body	-	1	-	1	22.6	-	1
Total			**45**	**2**	**47**	**13.8**	**29**	**18**

* For details regarding the acquisition of leased Boeing 737-800 aircraft, see Note 10E to the Financial Statements.

** One of the Boeing 777-200 aircraft is undergoing refurbishment to return it to service, as well as modification to a Dreamliner configuration. For details, see Note 10F(1) to the Financial Statements.

<u>Expansion, replacement and renewal of the Company's aircraft fleet</u>:

- In December 2022, the Company signed an agreement with Boeing for the purchase of the 17th aircraft, whose expected delivery date, according to the aircraft manufacturer Boeing, is in 2025. With respect to the signing of such aircraft's financing agreements, see Note 14.E.(1). to the Financial Statements.
- In 2017, the Company signed an agreement with a foreign lessor granting it the option for a dry lease of up to two 787-9 aircraft. This option has been extended by the Company from time to time. Further thereto, 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 for the 18th-19th Boeing 787 aircraft to be received by the Company during 2026 and 2027, respectively.
- In April 2024, the Company signed an agreement with aircraft manufacturer Boeing to purchase three (3) additional Boeing 787 aircraft (20th-22nd aircraft), the delivery of which is planned for 2029 and 2030, with an option to purchase up to six additional aircraft, the expected delivery dates of which depends, *inter alia*, on the exercise date of each one of the options, if exercised, and Boeing's aircraft availability. For details, see the Company's immediate report released on 24 April 2024 (Ref.: 2024-01-040519) and Note 10.B.(3). to the Financial Statements.

- On 14 August 2024, the Company signed an agreement with aircraft manufacturer Boeing to purchase twenty (20) 737 MAX aircraft. The Company was also granted an option to purchase up to 11 additional 737 MAX aircraft. 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 aircraft fleet. The Company expects to receive the Purchased Aircraft between 2028 and 2031. The said Option Aircraft, if purchased, are expected to be received between 2030 and 2032, depending on the exercise of the option for any of the Option Aircraft. The Company will consider operating a number of 737 MAX aircraft instead of exercising the option, by leasing them from aircraft leasing companies. For further details, see Note 10C to the Financial Statements.

- As of the report release date, there are global difficulties in the industry's supply chain, including among manufacturers of aircraft and engines. These difficulties, including the geopolitical condition, may delay the receipt of aircraft. In response, the Company may be required to procure alternative and/or additional aircraft in order to address inasmuch as possible, to demand, in accordance with its strategic plan.

<u>Other issues</u>:

- The Company is expected to complete the refurbishment of an additional Boeing 777 aircraft in the course of 2025 (and not in 2024, as stated in the Q1/2024 report, in view of delays in the supply chain), such that following its refurbishment, five aircraft of this model will be operating in the Company's service. With respect to the reversal of impairment loss amounting to approx. USD 15.0 million, see Note 10.F.(1). to the Financial Statements. The sixth and last Boeing 777 aircraft, as of shortly before the approval of the report, is not expected, at this stage, to return to the Company's service.

- The Company continues the upgrade and adjustment of Boeing 777 configuration, to resemble the configuration of 787 aircraft (Dreamliner), a change that will result in increasing the number of seats to 313 and to improved customer experience.

- From the outbreak of the War, the Company's production capacity is close to its full potential, including the recruitment of some of the Company's employees to reserve duty from time to time. The Company's production capacity is limited, *inter alia*, by the recruitment, training and number of aircraft and aircrew, that are required, pursuant to the IAA regulations, to comply with the monthly and annual block HRS cap as stipulated by Regulation 465A of the Aviation Regulation (Operation of Aircraft and Flight Rules) 5741-1981. Since the outbreak of the War and in view of its continuation, some of the Company's pilots are called for reserve duty from time to time, and in consideration thereof, in order to allow the Company to maintain functional continuum and keep Israel's air routes as open as possible, several adjustments were made vis-a-vis IAA regarding the hour cap until Q3/2025.

- See Note 10.B.(4) to the Financial Statements regarding the Company's engagement with the engine manufacturer Rolls-Royce in a long-term agreement for engine maintenance, regarding the signing of an agreement to purchase a 737-800 aircraft leased by the Company, regarding the signing of a lease extension for another aircraft of the same model, and regarding the purchase of an aircraft for dismantling.

- Wet leases: for details, see Note 11.B. to the Financial Statements.

- For details regarding difficulties in the supply chain, see Section 8.5.2 of the Description of the Corporation's Business chapter.

The Company's forecasts as specified above, including with respect to production capacity, the procurement transactions, transactions with suppliers for supply of spare parts, and the update of the strategic plan, constitute forward-looking information, as defined in the Securities Law, and are based on data, assumptions, assessments and forecasts which may change in whole or in part, or materialize in a different and even materially different manner than the forecast at this time, and depend, to a great extent, on third parties and

their operations and on the occurrence of events which are beyond the Company's control. The forecasts and data are based, inter alia, on the realization of the Procurement Plan, adherence of aircraft manufacturers to updated timelines, the aviation market's handling of supply chain challenges both domestically and globally, assumptions related to growth in flight activity at Ben Gurion Airport, and general demand for flights in Israel and worldwide, and the Company's handling of production capacity limitations. Any change in the aforesaid assumptions and forecasts, as well as the realization of any of the relevant risk factors for the Company and its operations (as specified in Section 8.16 of the Description of the Corporation's Business chapter), may affect, and also significantly, the 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 2024:

The following table presents the Company's consolidated income statements, including the percentage out of the turnover and the rate of change year-over-year, and the key factors that affected the Group's results in the reported year, year-over-year:

	2024		2023		Year-over-year	
	USD in millions	% of turnover	USD in millions	% of turnover	USD in millions	%
Revenues from operations:	3,431.8	100.0%	2,503.1	100.0%	928.7	37.1%
Operating expenses:						
Fuel	600.6	17.5%	563.1	22.5%	37.5	6.7%
Payroll and related expenses	732.5	21.3%	567.3	22.7%	165.3	29.1%
Airport fees and services and air navigation fees	332.8	9.7%	299.4	12.0%	33.4	11.1%
Maintenance expenses	106.7	3.1%	94.2	3.8%	12.5	13.2%
Food, passenger service and other operating costs	223.0	6.5%	172.8	6.9%	50.2	29.0%
Marketing and distribution expenses	194.0	5.7%	141.3	5.6%	52.7	37.3%
Depreciation and amortization	266.3	7.8%	248.6	9.9%	17.7	7.1%
Leases	76.3	2.2%	52.8	2.1%	23.4	44.3%
IT and HQ expenses	131.0	3.8%	108.9	4.4%	22.1	20.3%
Other revenues, net	(4.0)	(0.1%)	(12.6)	(0.5%)	8.6	(68.3%)
Total operating expenses	2,659.1	77.5%	2,235.8	89.3%	423.3	18.9%
Operating profit	772.7	22.5%	267.3	10.7%	505.4	189.1%
Net financing expenses	95.1	2.8%	142.2	5.7%	(47.1)	(33.1%)
Pre-tax profit	677.6	19.7%	125.1	5.0%	552.4	441.5%
Tax expenses	(132.6)	(3.9%)	(8.4)	(0.3%)	(124.3)	1,481.0%
Net profit	544.9	15.9%	116.7	4.7%	428.2	366.8%

Revenues from operations

In 2024, revenues from operations increased by approx. USD 928.7 million, approx. 37.1%, year-over-year. Revenues from passenger flights in 2024 increased by approx. 36.1% year-over-year (approx. USD 816.4 million). Furthermore, revenues from cargo transport in 2024 increased approx. 62.0% compared with revenues from cargo transport last year (approx. USD 102.1 million).

Following are the primary reasons for the increase in revenues from passenger flights:

- For details regarding the reasons for the increase of approx. 11.8% in ASK, see Section A.2.2 above.

- An increase of approx. 24.2% in the RASK, which originates both from a considerable and unusual rise in the load factor to a level of approx. 93.8% and from a rise of approx. 14.2% in RRPK. For this purpose, see the above introduction to the Board Report regarding the features of the business environment at this time compared with last year.

As concerns cargo transport, until the breakout of the War, a certain decrease in demand had been demonstrated due to the rise in the capacity of the hold of the plane consequently to recovery from the Covid crisis and against the background of a significant decline in maritime transport prices. Since the War broke out, there has been a significant increase in revenue from cargo transport following the increase in demand for cargo transport by the Company, whether in the hold of passenger aircraft or in cargo aircraft, *inter alia*, due to the capacity reduction and discontinuation of flights by some of the foreign airlines. It is noted that despite the discontinuation of operations of some of the foreign airlines, cargo transport is still in high supply, *inter alia*, on the part of airlines that operate flights in cargo aircraft.

Operating expenses

Operating expenses in 2024 totaled approx. USD 2,659.1 million, reflecting a year-over-year increase of approx. USD 423.3 million (approx. 18.9%), primarily as a result of the increase in operations. At the same time, their rate out of the turnover in 2024 was approx. 77.5% compared with approx. 89.3% year-over-year.

Following are several key points regarding operating expenses in 2024:

- **Jet fuel expenses** of the Company increased by approx. USD 37.5 million (up approx. 6.7%) year-over-year, in view of the increase in gallon consumption (approx. 17%), as a result of the increase in flight hours and from the commissioning of 777 aircraft whose fuel consumption is less effective than that of Dreamliner aircraft, and as a result of the extension of flight routes. On the other hand, jet fuel prices dropped by approx. 9.7% (before hedging effects) compared to last year.

	2024	2023	2024 Vs. 2023
Jet fuel expenses for the period (before hedging effects)	593.1	567.4	25.7
Effect of jet fuel hedging transactions on the operating profit	7.5	(4.3)	11.8
Total jet fuel expenses	**600.6**	**563.1**	**37.5**
Quantity of consumed jet fuel (gallons in millions)	**234.1**	**200.9**	**33.2**

For further details regarding hedging of jet fuel prices, 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.

- **Payroll expenses** totaled approx. USD 732.5 million in 2024, representing approx. 21.3% of the turnover (versus a rate of approx. 22.7% in the same period last year). The increase in payroll expenses of approx. USD 165.3 million, is a result of the increase in the volume of operations, the effect of the wage agreements signed with the workers' committees and the Federation of Labor (Histadrut), including, primarily, in respect of a provision for bonuses in respect of the Group's profits. For further details, see Note 20.E. to the Financial Statements.

- The '**airport fees and services**' items and the **'food and passenger service**' items increased year-over-year by approx. USD 33.4 million and approx. USD 50.2 million, respectively, mainly due to the increase in operations and the increase in the load factor and due to price increases occurring in the macro-economic environment. It is noted that with respect to the '**airport fees and services**' item, since the Company's market share in 2024 was higher, discounts at a higher rate were received from the Airports Authority due to the market share, which reduced the increase in expenses for such item.

- The '**marketing and distribution**' item increased by approx. USD 52.7 million (approx. 37.3%) year-over-year, with the percentage of these expenses to turnover remaining almost the same as the same period last year, and therefore the increase results from a rise in the volume of sales and bookings, leading to an increase in the expenses of agent and credit card fees and to an increase in the amounts paid to the various distribution systems. For further details, see Note 20B to the Financial Statements.

- The '**depreciation and amortization**' item increased by approx. USD 17.7 million (approx. 7.1%) year-over-year, mainly as a result of the growth in the Company's operations (leading to a rise in the consumption of spare parts and in engine hours), as well as due to expansion of the aircraft fleet and the flight equipment, net of a decrease deriving from a change in the estimate of engine hours expected until the overhaul or replacement of the engines, which depends on the date of retirement of the engines, in respect of the TRENT 800 engines used in the 777 aircraft fleet, which was made last year, and led to the recognition of a one-time depreciation expense at the time of approx. USD 7.8 million.

- The '**leases**' item increased by approx. USD 23.4 million (approx. 44.3%) year-over-year, primarily due to the operation of aircraft under a wet lease. For further details, see Note 11.B.(2) to the Financial Statements.

- **HQ** costs rose by approx. USD 22.1 million (approx. 20.3%) year-over-year, mainly due to an increase in the provision for lawsuits, an increase as a result of rising insurance costs, an increase in the IT system costs as part of the Company's investment in this field, including in the field of cyber, and an increase in the costs of instruction and training programs as part of building up production capacity and from an increase in consulting costs.

- **Other revenues (net)** in 2024 totaled approx. USD 4.0 million and mainly derived from cancelation of impairment, as specified in Note 10 to the Financial Statements, as well as from recognition of positive revaluation for the "phantom" option (see Note 9.C to the Financial Statements), net of one-time expenses recognized for employee benefits for previous years. Last year, the other revenues (which totaled approx. USD 12.6 million) mainly derived from the recognition at the time of positive revaluation for the "phantom" option.

Operating profit

In 2024, the operating profit totaled approx. USD 772.7 million, which is high compared with the operating profit last year which totaled approx. USD 505.4 million. For a list of the key factors that affected the Group's profitability compared to last year, see Section A.1 above.

Financing expenses

The net financing expenses totaled approx. USD 95.1 million in 2024 compared with approx. USD 142.2 million last year, down approx. USD 47.1 million. The decrease in the net financing expenses mainly derives from an increase of approx. USD 38.1 million in interest revenues from deposits (that totaled approx. USD 47.9 million in 2024), and from a decrease in the interest expenses for loans and leases in view of a decrease in the debt burden compared with the same period last year, and in view of exchange rate differences deriving from the strengthening of the dollar against the Japanese yen. However, the financing expenses for 2024 increased due to recognition of a loss from prepayment of a Phoenix loan in the sum of approx. USD 6.8 million, as specified in Note 14C to the Financial Statements, and revaluation of the Phoenix option (as specified in Note 19G to the Financial Statements), in the sum of approx. USD 10.0 million.

Taxes on income

Income tax expenses in 2024 totaled approx. USD 132.6 million. Given the fact that the Group recognizes a deferred tax asset for its carried losses, the Group recognizes tax expenses on the books, even though it has high outstanding carried losses for tax purposes and does not actually pay the tax. For further details see Note 17 to the Financial Statements.

Income before taxes on income and net profit

Income before taxes on income totaled approx. USD 677.6 million in 2024, compared with income before taxes on income of approx. USD 125.1 million last year. Net profit totaled approx. USD 544.9 million in 2024 compared with net profit of approx. USD 116.7 million last year. The increase in the net profit results from the improvement in the Company's profitability for the reasons enumerated above. For a list of the key causes thereof, see Section A.1 above with respect to the key figures.

For the three-month period ended 31 December 2024:

Presented below are the Company's consolidated income statements, including the percentage out of the turnover and the rate of change year-over-year, as well as the key factors that affected the Group's results in the reported period compared with the same period last year:

	Q4 2024		Q4 2023		Q4 2024 Vs. Q4 2023	
	USD in Millions	% of Turnover	USD in Millions	% of Turnover	USD in Millions	%
Revenues from operations	851.3	100.0%	677.8	100.0%	173.5	25.6%
Operating expenses:						
Fuel	133.0	15.6%	148.1	21.8%	(15.0)	(10.1%)
Payroll	196.6	23.1%	157.3	23.2%	39.2	24.9%
Airport fees and services and air navigation fee	79.1	9.3%	76.9	11.4%	2.2	2.8%
Maintenance	26.3	3.1%	25.8	3.8%	0.5	2.0%
Food, passenger service and other operating costs	56.1	6.6%	44.3	6.5%	11.8	26.6%
Marketing and distribution expenses	50.5	5.9%	36.3	5.4%	14.2	39.1%
Depreciation and amortization	71.4	8.4%	66.5	9.8%	4.8	7.3%
Leases	25.7	3.0%	9.3	1.4%	16.4	177.4%
IT and HQ expenses	34.5	4.1%	27.6	4.1%	6.9	25.1%
Other revenues, net	11.1	1.3%	1.4	0.2%	9.7	716.4%
Total operating expenses	684.3	80.4%	593.5	87.6%	90.8	15.3%
Operating profit	166.9	19.6%	84.3	12.4%	82.7	98.1%
Net financing expenses	28.0	3.3%	44.4	6.6%	(16.5)	(37.1%)
Income before taxes on income	139.0	16.3%	39.8	5.9%	99.1	248.8%
Tax expenses	(9.4)	1.1%)(	(0.1)	(0.0%)	(9.2)	8,386.1%
Net profit	129.6	15.2%	39.7	5.9%	89.9	226.2%

Revenues from operations

Revenues from operations increased this quarter by approx. USD 173.5 million, approx. 25.6%, compared with revenues from operations in the same quarter Last Year. Revenues from passenger flights in Q4/2024 increased by approx. 29.6% compared with the same period last year (approx. USD 173.3 million). In addition, revenues from cargo transport in Q4/2024 decreased by approx. 4.9% compared with revenues from cargo transport in the same period last year (approx. USD 3.7 million).

Below are the primary reasons for the increase in revenues from passenger flights:

- For details regarding the reasons for increase of approx. 9.2% in the capacity offered by the Company which was expressed in an increase in the Available Seat Kilometers (ASK) compared with the corresponding quarter, see Section A.2.2 above.

- An increase of approx. 21.0% in Revenue per Available Seat Kilometer (RASK), which originates both from a considerable and irregular rise in the load factor to a level of approx. 96.2% and from a rise of approx. 6.1% in Revenue Passenger Kilometers (RRPK). For this purpose, see the above introduction to the Board Report regarding the features of the business environment at the present time compared with the same period last year.

Operating expenses

In the reported period, the operating expenses totaled approx. USD 684.3 million, reflecting a year-over-year increase of approx. USD 90.8 million (approx. 15.3%), primarily as a result of expansion of operations. However, they accounted for approx. 80.4% of the turnover this quarter, compared with approx. 87.6% in the Same Quarter Last Year.

Below are several key points regarding the operating expenses for Q4/2024:

- The Company's **jet fuel expenses** decreased by approx. USD 15.0 million (down approx. 10.1%) year-over-year, as specified in the 'jet fuel' section below. In addition, they accounted for approx. 15.6% of the turnover this quarter compared with approx. 21.8% in the Same Quarter Last Year.

  On the one hand, there was an increase in consumption, *inter alia* in accordance with the increase in operations. Conversely, there was a decrease in jet fuel prices, of approx. 20.2% (before hedging effects) compared with the same period last year.

	Q4 2024	Q4 2023	Q4 2024 Vs. Q4 2023
Jet fuel expenses for the period (excluding hedging effects)	129.9	150.4	(20.5)
Effect of jet fuel hedging transactions on operating profit	3.2	(2.3)	5.5
Total jet fuel expenses	**133.0**	**148.1**	**(15.0)**
Jet fuel quantity consumed (gallons in millions)	**56.7**	**50.5**	**6.2**

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.

- '**Payroll expenses'** totaled approx. USD 196.6 million this quarter and accounted for approx. 23.1% of the turnover (compared with approx. 23.2% in the same period last year). The increase compared with the same period last year in the sum of approx. USD 39.2 million is the result of the increase in the volume of the Company's operations, the effect of the salary agreements signed with the workers' committees and the Federation of Labor (*Histadrut*), including and even primarily due to a provision for bonuses in respect of the Company's profits.

- The '**airport fees and services**' items and the '**food and passenger service**' items increased year-over-year by approx. USD 2.2 million and approx. USD 11.8 million, respectively, primarily due to the growth in operations and the increase in the load factor, and due to price increases in the macroeconomic environment.

- The '**marketing and distribution**' item increased year-over-year by approx. USD 14.2 million (approx. 39.1%), with these expenses accounting for 5.9% of the turnover, while in the same period last year these expenses accounted for 5.4% of the turnover. The absolute increase in the expenses mainly derives from the increase in the volume of sales and bookings, leading to an increase in the expenses of agent and credit card fees and an increase in the amounts paid to the various distribution systems, while the increase in the percentage of expenses to turnover derives from the increase in advertising expenses due to an increase in the scope of the campaigns conducted by the Company compared with the same period in 2023. Below is a specification of marketing and distribution expenses:

	Q4 2024	Q4 2023	Q4 2024 Vs. Q4 2023
Fees for agents and credit companies	34.2	26.7	7.5
Expenses for distribution systems	9.5	6.0	3.5
Advertising and marketing expenses	6.8	3.6	3.2
Total marketing and distribution expenses	**50.5**	**36.3**	**14.2**

- The '**depreciation and amortization**' item increased year-over-year by approx. USD 4.8 million (approx. 7.3%). The increase in depreciation and amortization expenses mainly derives from the growth in the Company's operations (leading to an increase in the consumption of spare parts and in engine hours) and from expansion of the aircraft fleet and flight equipment. However, they account for approx. 8.4% of the turnover this quarter compared with approx. 9.8% in the Same Quarter Last Year.

- The '**leases**' item (which mainly includes lease expenses for aircraft under wet leases; most of the lease expenses for dry leases are recognized under the depreciation and financing items according to IFRS 16, see Note 11.D.(1) to the Financial Statements) increased year-over-year by approx. USD 16.4 million (approx. 177.4%), mainly due to the increase in the operation of aircraft under wet leases, as part of the supply offered by the Company and Sundor for the demand for the Group's flights. For further details, see Note 11.B.(2) to the Financial Statements. In addition, they account for approx. 3.0% of the turnover this quarter compared with approx. 1.4% in the Same Quarter Last Year.

- The **HQ** costs rose by approx. USD 6.9 million (approx. 25.1%) year-over-year, *inter alia* as a result of an increase in HQ costs relating to the operation of the Company which are affected by increased activity such as the instruction and training programs, and a rise in insurance costs and IT system expenses in view of the Company's investments in this field. The percentage of these costs out of the turnover this quarter remains the same as the Same Quarter Last Year (approx. 4.1%).

- The other revenues in Q4/2024 totaled approx. USD 11.1 million and mainly derived from one-time expenses for employee benefits for previous years net of revaluation of the phantom option.

Operating profit

In Q4/2024, the operating profit totaled approx. USD 166.9 million, approx. USD 82.7 million more than the operating profit in the Same Quarter Last Year. For a list of the key factors that affected the Group's profitability compared with the Same Quarter Last Year, see Section A.1 above.

Financing expenses

The net financing expenses totaled approx. USD 28.0 million in Q4/2024 compared with approx. USD 44.4 million in the same period last year, down approx. USD 16.4 million. The decrease in net financing expenses mainly derives from an increase in interest revenues from deposits (which totaled approx. USD 17.1 million this quarter) of approx. USD 14.2 million in view of the improvement in the Company's liquid balances which significantly reduce its net financial debt (debt net of cash), 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 period last year, and in view of exchange rate differences deriving from the strengthening of the dollar against the Japanese yen. However, the financing expenses for Q4/2024 increased due to recognition of a loss from prepayment of a Phoenix loan in the sum of approx. USD 6.8 million, as specified in Note 20.D to the Financial Statements, and revaluation of the Phoenix option (as specified in Note 20.D to the Financial Statements) in the sum of approx. USD 9.7 million.

Taxes on income

Income tax expenses in Q4/2024 totaled approx. USD 9.4 million. Given the fact that the Group recognizes a deferred tax asset for its carried losses, the Group recognizes tax expenses on the books, even though as of the end of 2024 it has outstanding carried losses for tax purposes and does not actually pay the tax. For further details see Note 17 to the Financial Statements. It is noted that last year, the Group recognized a deferred tax asset for carried losses for the first time in Q4/2023 (until such date, the Company did not recognize a deferred tax asset for carried losses due to the uncertainty at the time with respect to future profits), which almost entirely offset the tax expenses in the same period last year.

Income before taxes on income and net profit

Income before taxes on income totaled approx. USD 139.0 million in Q4/2024, compared with income before taxes on income of approx. USD 39.8 million in the same period last year. Net profit totaled approx. USD 129.6 million in Q4/2024 compared with a net profit of approx. USD 39.7 million in the Same Quarter Last Year. The increase in profit derives from the improvement in the Company's profitability for the reasons enumerated above. For a list of the key causes thereof, see Section A.1 above with respect to the key figures.

A.4 Seasonality

In normal times, the Group's operations are affected by seasonality, and focus on peak times, mostly during the summer season and holidays. With respect to the business environment in 2024 and the development of the market throughout the year, see the opening hereto.

A.5 Cash flow and readily-available deposits

Cash flows for 2024:

	2024	2023	2024 Vs. 2023
	USD in millions		
Opening balance of cash and cash equivalents, including readily-available deposits*	405.7	283.4	122.3
Net cash flows derived from operating activities	1,446.5	453.1	993.3
Net cash flows used for investing activities**	(200.5)	(155.2)	(45.3)
Net cash flows used for financing activities	(198.1)	(179.1)	(19.0)
Effect of exchange rate changes on cash balances held in foreign currencies	(9.8)	3.5	(13.3)
Increase in cash and cash equivalents, including readily-available deposits*	1,038.1	122.3	915.7
Closing balance of cash and cash equivalents, including readily-available deposits*	1,443.8	405.7	1,038.1

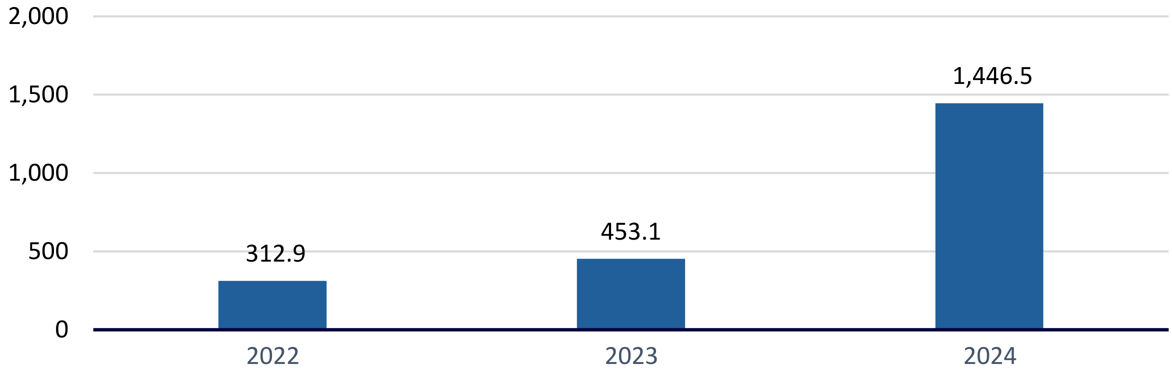
*The Group's readily-available deposits constitute, for purposes of this disclosure, liquid sources, although they are not included in the cash and cash equivalents item pursuant to accounting standards (readily-available deposits for up to three months) and therefore are not classified as cash and cash equivalents in the Group's Statement of Financial Position. For details regarding the Group's cash and cash equivalents, see the condensed consolidated cash flow statements in the Financial Statements.

**Discounting investment in readily-available deposits, the vast majority of which consists of investment of the Group's liquid surpluses and which constitute relatively liquid sources that reduce its net financial debt.

Cash flows from operating activities

In 2024, the Group generated a positive cash flow of approx. USD 1,446.5 million from operating activities, compared with a positive cash flow of approx. USD 453.2 million last year. The increase of approx. USD 993.3 million from operating activities compared with last year mainly derives from the improvement in the Company's pre-tax profit and from the increase in the Group's working capital, which is primarily affected by the presale of flight tickets, i.e. an increase in the number of bookings for future periods.

Development of Cash Flow from Operating Activities in 2022-2024 (USD in millions)



Cash flows for investing activities

In 2024, a net sum of approx. USD 200.5 million was used for investing activities. In this period, the Group invested approx. USD 204.5 million in fixed assets and intangible assets, of which approx. USD 92.0 million for current investments (CAPEX), which include an increase of approx. USD 46.8 million for the purchase of spare parts, consumables and rotables due to increase in activities, and approx. USD 25.8 million for investments in information technologies which included mainly investments in development, purchase of software and hardware, USD 8.7 million for the purchase of a leased aircraft (see Note 10E(1) to the Financial Statements) and the balance for procurement to increase the production capacity in future periods.

In 2023, the Group used a net sum of approx. USD 155.2 million for investing activities. In this period, the Group invested approx. USD 130.8 million in fixed assets and intangible assets, of which approx. USD 50.2 million for current investments (CAPEX), and approx. USD 53.5 million for the purchase of the Company's 16th 787 (Dreamliner) aircraft. The balance is for procurement to increase the Company's production capacity in future periods. The Group also invested in deposits (which are not readily available) totaling USD 25.4 million.

Cash flows for financing activities

In 2024, the Group used a net sum of approx. USD 198.1 million for financing activities. In this period, the Group repaid loans from a controlling shareholder in the sum of approx. USD 60.2 million as well as loans from financial entities in the sum of approx. USD 206.2 million, of which approx. USD 58.8 million for the prepayment of loans and USD 2.7 million for the repayment of bonds, as specified in Note 14E(2) to the Financial Statements. Furthermore, the Group made current payments on lease liabilities (the notional principal component) in the sum of approx. USD 122.9 million. Conversely, the Company generated a positive cash flow as consideration from the issuance of shares and warrants, net, in the sum of approx. USD 135.3 million, as well as from exercise of warrants in the sum of an additional approx. USD 58.1 million.

In 2023, the Group used the net sum of approx. USD 179.1 million for financing activities. In this period, the Group repaid loans from financial entities in the sum of approx. USD 206.0 million and made current payments on lease liabilities (the notional principal component) in the sum of approx. USD 115.7 million. Conversely, the Company took a loan from financial entities in the sum of approx. USD 126.0 million, to finance the Company’s 16th Dreamliner aircraft. Warrants were also exercised in the sum of approx. USD 20.5 million.

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

	Q4/2024	Q4/2023	Q4/2024 Vs. Q4/2023
	USD in millions		
Opening balance of cash and cash equivalents, including readily-available deposits*	1,249.9	302.8	947.2
Net cash flows derived from operating activities	355.0	171.6	183.4
Net cash flows used for investing activities**	(66.8)	(16.7)	(50.1)
Net cash flows used for financing activities	(91.9)	(60.9)	(31.0)
Effect of exchange rate changes on cash balances held in foreign currencies	(2.5)	8.9	(11.4)
Increase in cash and cash equivalents, including readily-available deposits*	193.9	103.0	90.9
Closing balance of cash and cash equivalents, including readily-available deposits*	1,443.8	405.7	1,038.1

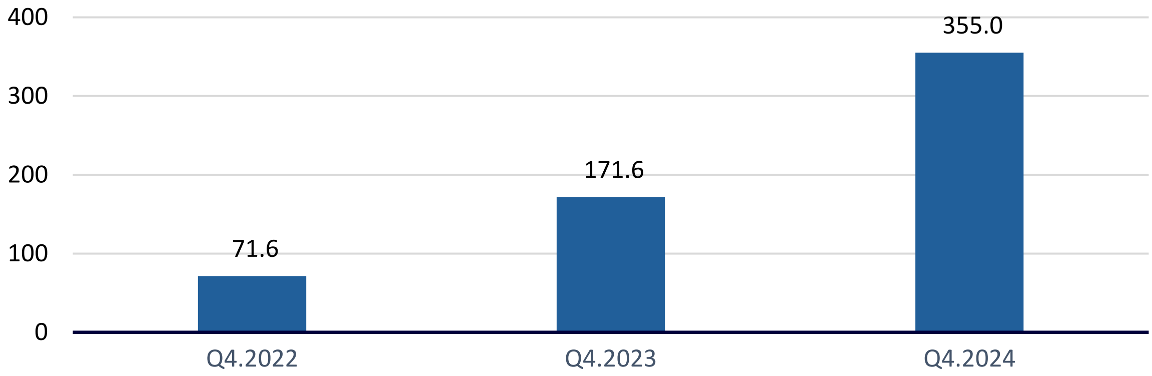
*The Group's readily-available deposits constitute, for purposes of this disclosure, liquid sources, although they are not included in the cash and cash equivalents item pursuant to accounting principles (readily-available deposits of up to three months) and therefore are not classified as cash and cash equivalents in the Group's Statement of Financial Position. For details regarding the Group's cash and cash equivalents, see the condensed consolidated cash flow statements in the Financial Statements.

**Discounting investment in readily-available deposits, the vast majority of which consists of investment of the Group's liquid surpluses and which constitute relatively liquid sources that reduce its net financial debt.

Cash flows from operating activities

In Q4/2024, the Group generated a positive cash flow of approx. USD 355.0 million from operating activities, compared with a positive cash flow of approx. USD 171.6 million in the Same Quarter Last Year. The increase of approx. USD 183.4 million mainly derives from the improvement in the Group's profit before tax, and in view of the increase in the Group's working capital, which is primarily affected by the presale of flight tickets, i.e. an increase in the volume of bookings for future periods relative to the same period last year.

Development of Cash Flow from Operating Activities in the Three-Month Period ended 31 December 2022-2024 (USD in millions)



Cash flows for investing activities

In Q4/2024, the Group used a net sum of approx. USD 66.8 million for investing activities. In this period, the Group invested approx. USD 74.2 million in fixed assets and intangible assets, of which approx. USD 28.6 million for current investments (CAPEX), which mainly include approx. USD 11.6 million for the purchase of spare parts, consumables and rotables due to increase in activities, and approx. USD 10.6 million for investments in information technologies, which were purchased mainly in the current quarter, and included investments in the purchase of software and hardware, USD 7.8 million for the purchase of a leased aircraft (see Note 10E(1) to the Financial Statements), and the balance for procurement to increase the Company's production capacity in future periods. There was also a decrease in deposit investments in the sum of approx. USD 6.4 million for investment in deposits that are not part of the readily-available deposits (as they are not liquid).

In Q4/2023, the Group used a net sum of approx. USD 16.7 million for investing activities. In this period, the Group invested approx. USD 16.5 million in fixed assets and intangible assets, of which approx. USD 9.5 million for current investments (CAPEX) and the balance for procurement to increase the Company's production capacity in future periods.

Cash flows for financing activities

In Q4/2024, the Group used a net sum of approx. USD 91.9 million for financing activities. In this period, the Group repaid loans from financial entities in the sum of approx. USD 76.9 million, of which approx. USD 41.7 million for the prepayment of loans. The Group also made current payments on lease liabilities (the notional principal component) in the sum of approx. USD 34.5 million. Conversely, the Company generated a positive cash flow from the exercise of warrants in the sum of approx. USD 18.8 million.

In Q4/2023, the Group used a net sum of approx. USD 60.9 million for financing activities. In this period, the Group repaid loans from financial entities in the sum of approx. USD 39.0 million, and made current payments on lease liabilities in the sum of approx. USD 21.8 million.

A.6 Financial position, cash balances and working capital of the company

	31 Dec. 2024	31 Dec. 2023		31 Dec. 2024	31 Dec. 2023
	USD in millions			USD in millions	
Current assets	1,874.2	805.1	Current liabilities	2,060.4	1,549.0
Non-current assets	2,501.8	2,513.4	Non-current liabilities	1,788.1	1,978.8
			Equity	527.5	(209.2)
	4,376.0	**3,318.5**	Total	**4,376.0**	**3,318.5**

Below are the main changes in the 'assets', 'liabilities' and 'equity' items as of 31 December 2024 compared with 31 December 2023:

Current assets

The Group's current assets as of 31 December 2024 totaled approx. USD 1,874.2 million, representing an increase of approx. USD 1,069.1 million relative to the balance thereof as of 31 December 2023. The increase mainly derived from an increase in cash and cash equivalents and in short-term deposits due to the improvement in the Group's business results and working capital, and reflects the considerable improvement in the Group's liquid balances and the decrease in the Group's net financial debt (debt net of cash and readily-available deposits).

The increase in short-term deposits derives, *inter alia*, from the investment of the Company's liquidity surpluses in this investment channel in consideration of the balance of deferred revenues which represents the Company's commitment to service its customers in the future.

Current liabilities

The Group's current liabilities as of 31 December 2024 totaled approx. USD 2,060.4 million, representing an increase of approx. USD 511.4 million relative to the balance thereof as of 31 December 2023. The increase mainly derives from an increase in operating balances, including an increase of approx. USD 387.4 million in deferred revenues from the sale of flight tickets, in view of the increased booking backlog, as well as an increase in liabilities for employee benefits, primarily due to provisions for profit-based bonuses for the Company's employees (for further details, see Note 20.E to the Financial Statements).

Working capital

As of 31 December 2024, the Group has a working capital deficit of approx. USD 186.2 million, compared with a deficit of approx. USD 743.9 million as of 31 December 2023. The reduction in the deficit mainly derives from the increase in the balances of cash and cash equivalents and short-term deposits, along with the improvement in the business results. Out of the total current liabilities, a sum of approx. USD 1,108.5 million represents deferred revenues, mainly for flight ticket sales (including FFP points and issued vouchers), which, in the ordinary course of the Company's business, is not repaid in cash, but rather by providing future flight services. In addition, the sum of approx. USD 57.7 million represents the employee leave liability, which is expected to be paid to employees upon their retirement, but is classified as a short-term liability according to accounting principles. The current ratio as of 31 December 2024 increased to approx. 91.0%, compared with approx. 52.0% as of 31 December 2023. It is further noted that due to the Group's operation structure, the Group has an inherent working capital deficit due to balance sheet recognition of the uses expected to be paid in the current year (current maturities), while the sources for payment thereof are only recognized at the time of actual receipt thereof (the cash flows expected to be received in respect of the operations).

Non-current assets

Non-current assets as of 31 December 2024 totaled approx. USD 2,501.8 million, representing a decrease of approx. USD 11.6 million relative to the balance thereof as of 31 December 2023. The decrease mainly derives from a decrease in the amortized cost of rights of use in leased assets, primarily due to current depreciation for the period. Conversely, an increase resulted from revaluation of the phantom option (for further details, see Note 9.C to the Financial Statements) and from an increase in the long-term deposits balance, as well as from an increase in the balance of fixed assets and intangible assets, primarily in view of downpayments made for aircraft and engines and in view of the investment in the Tamam factory, net of depreciation and amortization.

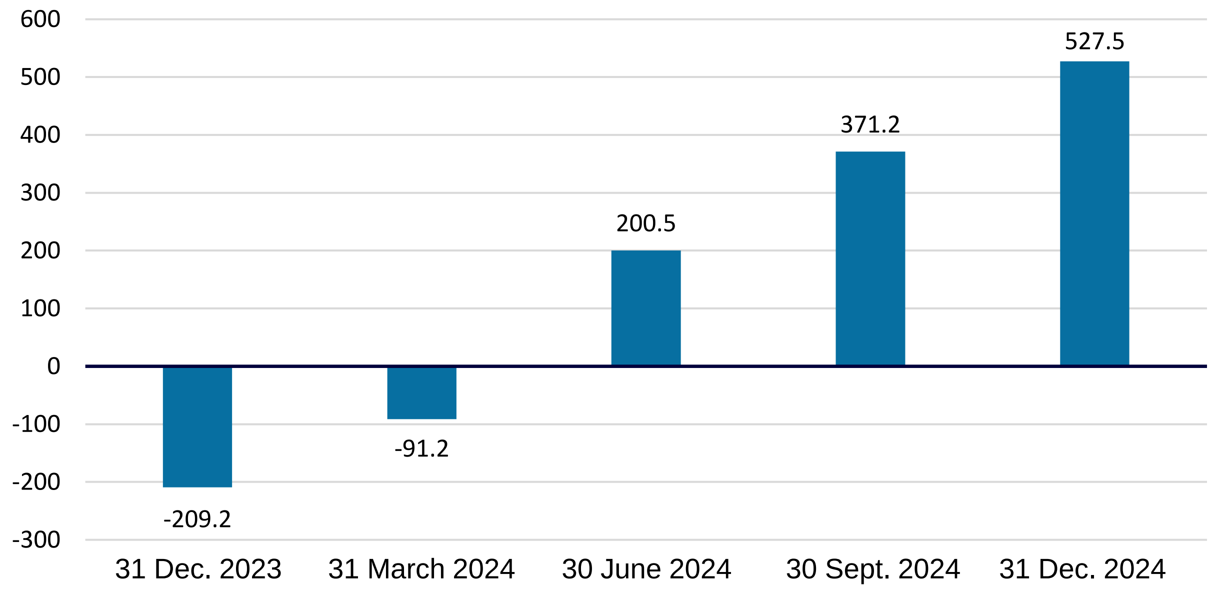
Non-current liabilities

The Group's non-current liabilities as of 31 December 2024 totaled approx. USD 1,788.1 million, representing a decrease of approx. USD 190.7 million relative to the balance thereof as of 31 December 2023. The decrease mainly derives from a decrease in liabilities for leases and financial loans, primarily due to current repayments, net of the increase in a deferred tax liability.

Equity

As of 31 December 2024, the Company's equity totaled approx. USD 527.5 million. The increase in equity mainly derived from the net profit in 2024 of approx. USD 544.9 million and from a capital raising (net of issue costs) in the sum of approx. USD 135 million (for details, see Note 10.A. to the Financial Statements) and from the exercise of warrants in the sum of approx. USD 58.1 million in 2024. From Q2/2024, the Company transitioned to positive equity.

Equity development (USD in millions)



Material credit facilities and loans of the Group

For details, see Note 14 to the Financial Statements.

B. EXPOSURE TO MARKET RISKS AND METHODS OF MANAGEMENT THEREOF

The market risks to which the Company is exposed, and the methods used to manage them, including the use of hedging transactions, are detailed below. The Company applies hedge accounting and designates hedging transactions as hedging instruments. For the accounting policy in this context and for the Company's policy on market risk management, the functions in charge of management thereof, oversight measures and policy implementation, see Note 19 to the annual financial statements.

Exposure to changes in jet fuel prices

As a rule, jet fuel expenses constitute a key component of the Company's operating expenses and affect the Company's profitability. The Company takes hedging measures to reduce the exposure.

As of 31 December 2024, the Company had several engagements for the purpose of hedging jet fuel prices, which cover ~30% of the consumption planned for the next 12 months. For the effect of the transactions on profit and loss, see Note 19 to the Financial Statements. As of 31 December 2024, the net fair value of all jet fuel hedging instruments totaled approx. USD 1.4 million.

The following table 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 release of the report, in accordance with the expected activity level and according to the Company's estimation (assuming that all other variables, including the amount of consumption and supplier margins, remain unchanged relative to the report year):

Change in the average market price in the next 12 months relative to the price shortly before the release of the report (220 cent/gallon)	Extent of the effect on expenditure in the next 12 months including hedging effects (USD in millions)
50%	186
25%	78
-25%	(117)
-50%	(236)

Exposure to decrease in aircraft pricelists in the context of long-term loans

In accordance with the provisions of some of the agreements for loans taken by the Company from Israeli banks for the acquisition of aircraft (which are not "reportable credit"), the Company is required to comply with a minimum ratio between the market value of the aircraft and the outstanding loans secured by such aircraft (LTV). For details, see Note 14.F to the annual financial statements.

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 release of the report, ~28% of the outstanding loans that the Company has received bear a variable interest rate and ~72% of the outstanding loans bear a fixed or hedged interest rate for a term of up to ~6 years.

The following table presents the sensitivity of the interest expenses on the 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 the average Term SOFR interest rate in the next 12 months relative to the Term SOFR interest rate shortly before the Report Date (4.3%)	The average hedging rate and/or the fixed-interest credit rate out of the forecasted exposure for the next 12 months	The extent of the effect on expenditure in the next 12 months, including hedging effects (USD in millions)
50%	72%	10.5
15%		3.1
-15%		(3.1)
-50%		(10.5)

Interest derivatives

As specified above and in Note 14 and Note 19.F to the annual financial statements, the Company manages the interest rate risk, *inter alia*, by using interest derivatives. The fair value of the interest derivatives in the Statement of Financial Position as of 31 December 2024 totaled a positive balance (asset) of approx. USD 27.0 million.

Exposure in respect of exchange rates

Exposure in respect of current payments and expenses

Most of the Company's revenues and expenses are denominated in USD, the Company's functional and presentation currency. The Company has ILS-denominated expenses primarily consisting of payroll expenses and payments to local suppliers in Israel. Accordingly, a change in the ILS rate relative to the USD affects the USD value of the ILS-denominated expenses.

The following table presents the sensitivity of the ILS-denominated expenses over the period of the next 12 months (shortly before the release of the Financial Statements) relative to the projected future market prices as of the present time, according to the expected level of operations and according to the Company's estimation (assuming all other variables, including the amount of ILS-denominated expenses, remain unchanged relative to the projections in relation to the report year).

Shortly before the release of this quarterly report, the cash flow ILS exposure hedging rate for the next 12 months is approx. 18% of the projected exposure.

Change in the average exchange rate in the next 12 months relative to the exchange rate shortly before release of the report (spot rate: ILS 3.57 to USD 1)	Average hedging rate out of the forecasted exposure for the next 12 months	Change in the USD value of ILS-denominated expenses including hedging effects (USD in millions)
10%	18%	(44)
-10%		54

Exposure in respect of ILS-denominated actuarial liabilities

The Company has several liabilities, mostly related to the termination of employment relations with employees in Israel, which are denominated in ILS, in a total sum of approx. USD 116.7 million (net of plan assets), exposing the Company to changes in the income statement in respect of periodic revaluations of balance-sheet balances.

Exposure in respect of JPY-denominated loans

The Company has several loans in which some of the components are denominated in the Japanese yen (JPY). The JPY-denominated debt totals approx. JPY 15.0 billion (which are, as of 31 December 2024, approx. USD 95.5 million). As of 31 December 2024, the Company has performed cash-flow swap hedging transactions in order to set the JPY rate for a debt of approx. JPY 6.8 billion (approx. USD 69.8 million according to the exchange rates set in the hedging transactions). As of the date of the Financial Statements, the fair value of these hedging transactions is a negative amount (liability) of approx. USD 15.2 million. For further information on the Company's exposure to changes in the JPY-USD exchange rate, see Note 19 to the Financial Statements.

Shortly after the date of the report (i.e. after the date of the Statement of Financial Position), the Company hedged another JPY debt in the debt sum of approx. JPY 2.5 billion (approx. USD 19.0 million in accordance with the exchange rate of the transaction). After such transactions, as of the date of release of the Financial Statements, the Company is exposed to JPY loans of approx. JPY 5.7 billion.

Exposure in respect of balance-sheet balances and future payments

The following table presents the main financial liabilities (financial assets) that expose the Company to exchange rate fluctuations, by key currencies (USD in millions):

	ILS	JPY	Euro
Cash and deposits	(191.0)	-	(19.8)
Lease liabilities	12.8	-	-
Loans (not hedged for exchange rate exposure)[45]	-	46.3	-
Employee benefit liability	116.7	-	-
Net total liabilities (assets), in USD	**(61.5)**	**46.3**	**(19.8)**
Spot exchange rate per USD 1 as of 31 December 2024	3.65	157.39	1.04
Consequential effect of a 10% decrease/increase in the exchange rate	**(6.2)**	**4.6**	**(2.0)**

[45] As of 31 December 2024. As stated in this chapter, after the date of the Statement of Financial Position, the Company entered into another hedging transaction that mitigates such exposure, as specified in this chapter.

C. CORPORATE RESPONSIBILITY AND CORPORATE GOVERNANCE ASPECTS

C1. Donations and Community Aid

In 2024, as part of its operations, the Company donated approx. USD 7 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 of the authorized organs of the Company. Of note, in view of the War, adjustments were made to the internal audit work plan for 2024, according to the approval of the authorized organs of the Company, as aforesaid.
- The Company's Auditor is invited to all the Company's Board and committee meetings.

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 takes such companies into account. 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 2024, approx. 11,000 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
9,400	600	1,000	11,000

*Including approx. 300 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 2024, the Internal Auditor completed 40 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 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 2024, the Audit and Compensation Committee convened on 14 occasions to discuss the reports of the Internal Auditor on the following dates: 16 January, 5 February, 11 February, 17 March, 14 April, 6 May, 19 May, 23 June, 22 July, 16 September, 5 November, 14 November, 24 November, 15 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 2024 totaled ILS 1,472 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		
Y2023	511	163	674
Y2024	637	540	1,177

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		
Y2023	61	-	61
Y2024	75	18	93

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

As concerns the compensation of interested parties and senior officers, see Note 22 to the Financial Statements regarding transactions with interested parties and related parties, as well as Regulation 21 of the Additional Details on the Corporation chapter.

C6. Internal enforcement programs

Securities-Laws and Corporate-Law Internal 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 (the "**Internal Enforcement Program**"), which 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 2024, 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 2024, a compliance, enforcement and cyber week was held at the Company, led by the Officer, for training on the Enforcement Program among employees and executives of the Company, in the context of which lectures on internal enforcement, with an emphasis on insider trading, were given by the Officer and by outside speakers, enrichment activities were performed for training on the Internal Enforcement Program, and new online learnware was launched for all of the Company's employees on the Internal Enforcement Program.

As part of the Officer's report, the Officer from time to time 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 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, as well as a corpus of 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.

February 2024 saw the approval of the Officer's work plan for 2024 in accordance with the Enforcement Program. In addition, as of shortly before the approval of the report, the Officer's work plan for 2025 was approved.

Competition-Law Internal 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 2024, 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.

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 competition-law internal 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.

February 2024 saw the approval of the Officer's work plan for 2024 in accordance with the Competition-Law Internal Enforcement Program. As of shortly before the approval of the report, the Officer's work plan for 2025 was approved.

Anti-Bribery and Anti-Corruption Internal 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 FINANCIAL REPORTING OF THE CORPORATION

D.1 Disclosure of critical financial estimates

The application of the internal standards' provisions by Management in the preparation of the Financial Statements occasionally entails various assumptions, assessments and estimates that affect the amounts of assets and liabilities and the business results reported within 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 matter, the complexity of the calculation or the extent of the feasibility of materialization of uncertain matters. For the detailed material accounting estimates used by the Company, see Note 2.C to the Financial Statements.

D.2 The matters to which the accountants of the company draw attention in their conclusion on the Financial Statements

For details regarding the Company's exposure to class action suits against it, see Note 16 to the Financial Statements.

Amikam Ben Zvi, Chairman of the Board	Dina Ben Tal Ganancia, CEO

11 March 2025

Chapter C

Consolidated Financial Statements for 2024

El Al Israel Airlines Ltd.

El Al Israel Airlines Ltd

Consolidated Financial Statements for 2024

Contents

Auditors' Review 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 2024. 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 revenues from the sale of flight tickets; (3) Controls over 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 2024.

We have also audited, based on Generally Accepted Auditing Standards in Israel, the Consolidated Financial Statements of the Company as of 31 December 2024 and 2023, and for each of the two years in the period ended on 31 December 2024, and our report of 11 March 2025 included an unqualified opinion as well as special attention clause regarding the Company's exposure to the certification of class actions, based on our audit. The Company's financial statements as of 31 December 2022 and of the year then ended were audited by another auditor, the report of which as of 1 March 2023 included an unqualified opinion as well as the drawing of attention to the capital deficit attributable to the shareholders of the Company, and the estimation of the management and Board regarding the Company's ability, at that time, to meet its undertakings in the foreseeable future and regarding the exposure to certification of class actions against the Company.

Tel Aviv
11 March 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Independent Auditors' Report

to the Shareholders of El Al Israel Airlines Ltd.

We have audited the accompanying Consolidated Statement of Financial Position of El Al Israel Airlines Ltd. (the "**Company**") as of 31 December 2024 and 2023 and the Consolidated Statements of Profit and Loss, Comprehensive Income and Loss, of Changes in Capital, and of Cash Flows for each of the two years ended on 31 December 2024. The Company's Board and management are responsible for these Financial Statements. Our responsibility is to express an opinion on these Financial Statements based on our audit.

The Company's financial statements as of 31 December 2022 and of the year then ended were audited by another auditor, the report of which as of 1 March 2023 included an unqualified opinion as well as the drawing of attention to the capital deficit attributable to the shareholders of the Company, and the estimation of the management and Board regarding the Company's ability, at that time, to meet its undertakings in the foreseeable future and regarding the exposure to certification of class actions against the Company.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's Board and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of the Company and of its consolidated companies as of 31 December 2024 and 2023 and the results of their operations, the changes in their capital and their cash flows for each of the two years in the period ended on 31 December 2024 in accordance with IFRS accounting standards and the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010.

Without qualifying our aforementioned opinion, we would like to draw attention to Note 16 to the Consolidated Financial Statements regarding the exposure to the certification of class actions against the Company and the Company's exposure to such class actions.

Key audit matters

Key audit matters 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 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 those matters below does not alter in any way our opinion on the Consolidated Financial Statements, taken as a whole, and we are not providing a separate opinion on those matters, items or disclosures.

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 is using the sale prices of the various products for which these points may be exchanged, taking into consideration the number of points required in order to acquire those products, and the Group'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 2024, the deferred revenue balance in respect of frequent flyer programs is approx. USD 166.9 million in the short term, and approx. USD 69.7 million in the long term. We identified the estimates regarding the forecast for point redemption and the sale 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 assessed the design and audited the effectiveness of the Company's controls related to the estimated forecast of unredeemed points and the sale prices of the various products for which the points may be exchanged; We evaluated the adequacy of the methodology used by the Company to determine the estimates and concluded that these estimates are consistent with prior periods; We reviewed the calculation of frequent flyer points that will not be redeemed, based on industry information and historical data; We used an IT expert who examined the adequacy of the total accrued points; We audited the integrity and accuracy of the data underlying the estimation of the point value; We conducted a sensitivity analysis to assess the changes in short-term and long-term deferred revenues.

<u>Employee Benefits</u>

As detailed in Note 2C(3) and Note 15 to the Consolidated Financial Statements, the present value of the Company's undertaking to pay retirement and severance pay for some employees in Israel, leave payment for 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 liability for payment of the said benefits. As of 31 December 2024, the outstanding liability based on actuarial calculations for short-term employee benefits is approx. USD 57.7 million, and for long-term benefits, approx. USD 61.2 million. We identified the database for actuarial calculations and actuarial assumptions as a Key Audit Matter. Our judgment our judgment [sic] is required to assess the adequacy of the database and significant assumptions in order to determine the value of the Company's liability for payment of the employee benefits.

The audit procedures we performed related to employee benefits included:

We assessed the design and audited the effectiveness of the Company's control over internal control components over employee benefits in Israel; We evaluated the professional competence and independence of the actuary serving as the Company's expert by inquiring about his experience and relevant professional qualifications; We audited the integrity and accuracy of the data underlying the calculation of employee benefits; We used an actuarial expert on our behalf who examined the basis of the assumptions used for the actuarial work and taken under the actuarial work and provided an independent calculation of the total undertaking for actuarial employee benefits.

We have also audited, pursuant to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel “Audit of Components of Internal Control over Financial Reporting”, the components of the Company’s internal control over financial reporting as of 31 December 2024, and our report of 11 March 2025 included an unqualified opinion on the effective maintenance of such components.

Tel Aviv
11 March 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statement of Financial Position

Assets	Note	As of 31 December 2024 USD in million	2023 USD in million
Current assets			
Cash and cash equivalents	3	512.8	386.1
Short-term deposits	4	909.8	35.6
Trade receivables	5	316.8	293.8
Trade and other receivables	6	58.0	30.1
Derivative financial instruments	19	12.6	19.7
Prepaid expenses	7	43.4	24.3
Inventory	8	20.9	15.5
Total current assets		1,874.2	805.1
Non-current assets			
Long-term deposits	4	149.2	114.4
Long-term investments	9	30.5	17.1
Deferred tax assets	17	88.9	103.6
Right-of-use of leased assets	11	560.2	645.5
Fixed and intangible assets	10	1,655.6	1,614.9
Derivative financial instruments	19	17.5	17.8
Total non-current assets		2,501.8	2,513.4
Total Assets		4,376.0	3,318.5

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

El Al Israel Airlines Ltd
Consolidated Statement of Financial Position

Liabilities and Capital	Note	As of 31 December 2024 USD in million	As of 31 December 2023 USD in million
Current liabilities			
Current maturities due to loans and short-term credit	14	172.6	176.2
Loans from the Controlling Shareholder	14D	9.8	70.0
Current maturities due to leases	11	120.8	126.0
Trade payables		203.2	206.7
Trade and other payables	12	184.3	135.7
Deferred revenues	13	1,108.5	672.5
Provisions	16	13.4	8.1
Derivative financial instruments	19	24.3	12.6
Liabilities for employee benefits	15	223.5	141.0
Total current liabilities		2,060.4	1,549.0
Non-current liabilities			
Loans from financial institutions	14	650.2	854.6
Liabilities due to leases	11	575.5	677.8
Bonds	14E(2)	-	2.2
Long-term deferred revenues	13	234.4	230.3
Long-term other payables	12	138.6	139.2
Deferred tax liabilities	17	113.1	-
Liabilities for employee benefits	15	61.2	63.4
Derivative financial instruments	19	15.2	11.1
Total non-current liabilities		1,788.1	1,978.8
Total Liabilities		3,848.5	3,527.7
Capital	18		
Share capital		482.1	429.1
Premium and capital reserves		492.6	353.8
Retained loss		(428.8)	(970.1)
Total capital (deficit) attributable to the shareholders of the Company		545.9	(187.3)
Non-controlling interests		(18.4)	(21.9)
Total Capital (Deficit)		527.5	(209.2)
Total Liabilities and Capital		4,376.0	3,318.5

Amikam Ben Zvi - Chairman of the Board	Dina Ben Tal Ganancia - CEO	Yacov (Yancale) Shahar – CFO

Date of approval of the financial statements: BGA, 11 March 2025.

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

El Al Israel Airlines Ltd.
Consolidated Statement of Profit and Loss

	Note	2024	2023	2022
		As of 31 December		
		USD in million	USD in million	USD in million
Revenues from Operations	20A	3,431.8	2,503.1	1,985.8
Operating expenses:				
Fuel		600.6	563.1	583.5
Payroll expenses	20E	732.5	567.3	442.9
Airport fees and services, and air navigation fees		332.8	299.4	236.1
Maintenance		106.7	94.2	81.8
Food, passenger service and other operating costs		223.0	172.8	137.0
Marketing and distribution expenses	20B	194.0	141.3	125.3
Depreciation and amortization		266.3	248.6	210.1
Rentals		76.3	52.8	41.3
IT and headquarters expenses		131.0	108.9	99.0
Other revenues, net	20C	(4.0)	(12.6)	(84.0)
Total operating expenses		2,659.1	2,235.8	1,872.9
Operating profit		772.7	267.3	112.8
Financing expenses, net	20D	95.1	142.2	127.3
Pre-tax profit (loss)		677.6	125.1	(14.4)
Tax expenses (tax benefit)	17B	132.6	8.4	(123.8)
Net profit for the year		544.9	116.7	109.4
attributable to:				
shareholders of the Company		541.4	112.6	108.7
non-controlling interests		3.5	4.1	0.7
		544.9	116.7	109.4
Earnings per ordinary share of par value ILS 0.1 (in USD):				
Basic earnings per share		1.440	0.410	0.505
Diluted earnings per share		1.180	0.273	0.281
Weighted average of number of shares (in millions) used for calculating the earnings per share:				
Basic		376.0	274.7	215.5
Diluted		458.8	413.2	396.4

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Consolidated Statements of Comprehensive Income

	For the year ended 31 December		
	2024	2023	2022
	USD in million	USD in million	USD in million
Profit for the year	544.9	116.7	109.4
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	0.7	3.2	13.1
Amounts that will be carried in the future to the profit or loss:			
Exchange rate differences on translation of foreign operation	0.1	(0.2)	0.2
Profit (loss) from cash flow hedging, net of tax	(7.0)	(3.5)	40.7
Profit (loss) from cash flow hedging – time value, net of tax	0.4	(1.6)	(0.6)
Other comprehensive profit (loss) for the year	(5.8)	(2.1)	53.4
Total comprehensive income for the year	539.1	114.6	162.8
attributable to:			
Shareholders of the Company	535.6	110.5	162.1
Non-controlling interests	3.5	4.1	0.7
	539.1	114.6	162.8

The notes attached to the Condensed 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 2024									
	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 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:										
Profit for the year	-	-	-	-	-	-	541.4	541.4	3.5	544.9
Other comprehensive profit (loss)	-	-	-	(7.0)	0.4	0.8	-	(5.8)	-	(5.8)
Total comprehensive profit (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, net. See Note 18B	25.1	77.2	33.5	-	-	-	-	135.8	-	135.8
Exercise of warrants for shares, see Note 18C	27.9	70.4	(38.0)	-	-	(2.1)	-	58.1	-	58.1
Share-based payment, See Note 18H	-	-	-	-	-	3.6	-	3.6	-	3.6
Total capital as of 31 December 2024	482.1	107.8	50.8	19.1	(1.7)	316.6	(428.8)	545.8	(18.4)	527.5

The notes attached to the Condensed 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:										
Profit for the year	-	-	-	-	-	-	112.6	112.6	4.1	116.7
Other comprehensive **profit** (loss)	-	-	-	(3.5)	(1.6)	3.0	-	(2.1)	-	(2.1)
Total comprehensive profit (loss) for the period	-	-	-	(3.5)	(1.6)	3.0	112.6	110.5	4.1	114.6
Issuance of stock dividend	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	(39.8)	55.3	26.2	(2.1)	314.2	(970.1)	(187.3)	(21.9)	(209.2)

The notes attached to the Condensed 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 2022									
	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 2022	406.2	(53.5)	69.5	(11.0)	0.1	230.8	(1,191.5)	(549.4)	0.7	(548.8)
Movement during the report year:										
Loss for the year	-	-	-	-	-	-	108.7	108.7	0.7	109.4
Other comprehensive **profit** (loss)	-	-		40.7	(0.6)	13.3	-	53.4	-	53.4
Total comprehensive profit (loss) for the year	-	-	-	40.7	(0.6)	13.3	108.7	162.1	0.7	162.8
Exercise of options for shares	0.8	2.3	(1.2)	-	-	-	-	1.9	-	1.9
Share-based payment	-	-	-	-	-	1,6	-	1.6	-	1.6
Exercise of shares in a subsidiary to non-controlling interest holders, see Note 19G	-	-	-	-	-	63.1	-	63.1	(27.4)	35.7
Total capital as of 31 December 2022	407.0	(51.2)	68.3	29.7	(0.5)	308.7	(1,082.8)	(320.8)	(26.0)	(346.9)

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

	For the year ended 31 December		
	2024	2023	2022
	USD in million	USD in million	USD in million
Cash flows from Operating Activities			
Profit for the period	544.9	116.7	109.4
Adjustments required to present the cash flow from operating activities – Annex A	901.6	336.4	203.5
Cash derived from operating activities	1,446.5	453.1	312.9
Cash flows for Investing Activities			
Purchases of fixed assets (including prepayments for aircraft and general engine overhauls). See Note 10	(178.7)	(116.6)	(53.6)
Proceeds from the sale of fixed assets and the disposal of long-term investments	1.6	1.0	10.6
Investing in intangible assets	(25.8)	(14.2)	(12.6)
Investing in deposits, net	(908.9)	(44.7)	(4.0)
Cash used for investing activities	(1,111.9)	(174.5)	(59.6)
Cash flows for Financing Activities			
Proceeds from the issuance of warrants, net of issuance costs	135.3	-	-
Exercise of warrants for shares	58.1	20.5	1.9
Receipt of finance against Frequent Flyer Program assets	-	-	130.0
Receipt of a loan from financial institutions	-	135.1	-
Receipt of a loan from the Controlling Shareholder	-	-	20.0
Payment for loan issuance costs	-	(9.1)	(3.2)
Repayment of a loan from the Controlling Shareholder, see Note 14D	(60.2)	-	-
Repayment of loans from financial institutions	(147.4)	(206.0)	(121.4)
Prepayment of loans from financial institutions, see Note 14E(3)	(58.8)	-	-
Repayment of lease liabilities	(122.9)	(115.7)	(98.7)
Repayment of bonds, see Note 14E(2)	(2.7)	-	(30.1)
Liability component due to bond issuance to the State	-	-	27.4
Increase (decrease) in short-term credit, net	0.4	(3.9)	4.2
Exercise of an option to a subsidiary's shares	-	-	14.0
Cash used for financing activities	(198.1)	(179.1)	(55.9)
Effect of exchange rate changes on cash balances held in foreign currencies	(9.8)	3.5	(4.7)
Increase in cash and cash equivalents	126.7	103.0	192.7
Cash and cash equivalents at the beginning of the period	386.1	283.2	90.5
Cash and cash equivalents at the end of the period	512.8	386.1	283.2

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

	For the year ended 31 December		
	2024	2023	2022
	USD in million	USD in million	USD in million
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)	165.4	149.6	109.0
Depreciation of right-of-use assets for leased properties	100.9	99.0	101.1
Reversal of asset impairment, see Note 10F(1)	(15.0)	-	-
Other revenues due to government grants, net	-	-	(41.5)
Taxes on income expenses (revenues)	132.2	7.9	(124.8)
Increase (decrease) in liabilities for employee benefits	79.0	26.3	(6.3)
Revaluation of financial instruments at fair value through profit and loss, see Notes 19	1.7	(5.3)	-
Adjustments for financing expenses	32.7	22.9	24.9
Other changes	12.9	(2.4)	(3.8)
	509.8	297.9	58.4
Changes in asset and liability items:			
Increase in trade and other receivable	(41.9)	(76.0)	(140.5)
Increase in deferred revenue	415.1	57.4	207.7
Increase in trade and other payables	43.0	57.3	84.9
Decrease (increase) in prepaid expenses	(19.1)	0.3	(7.4)
Decrease (increase) in inventory	(5.4)	(0.5)	0.3
	391.8	38.5	145.0
	901.6	336.4	203.5
Annex B - Interest Payments and Interest Receipts, Taxes Paid, and Dividends Received and Classified in Cash Flows from Operating Activities (1):			
Interest payments (2) (3) *	92.2	96.0	81.9
Interest proceeds	23.3	10.2	3.1
Tax payments - advances for excess expenses	0.7	0.5	0.3

*Reclassified in order to include the interest proceeds from the interest derivatives.

(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".
(3) In 2024, the interest payments also include the accounting discounting component in the sum of approx. $6.8 million paid due to the prepayment of part of the Phoenix loan. For further details, see Note 14C below.

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Note 1 – General

A. The Group's Operations

El Al Israel Airlines Ltd. (the "**Company**" **or** "**El Al**") and the subsidiaries (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 Company's business development and financial position in 2024

Mostly, passenger traffic at BGA is characterized by seasonality, such that most of the activity is during the summer months, whereas the winter months are usually characterized by slow passenger traffic. Seasonality is further influenced by the timing of the Jewish holidays. In view of the fact that the Swords of Iron War (the "**War**") caused significant changes in passenger traffic at BGA and in the market supply of flights, demand for the Company's flights throughout 2024 was significantly intensified over the entire year relative to seasonality, and at times, also over and above the demand that the Company normally experiences during peak periods.

Therefore, year 2024 was characterized by increased levels of demand for the Company's flights with respect to the seat capacity it is able to offer, including in Q4/2024. The aforementioned, together with other factors, had a significant positive impact on the Company's business results and financial position.

Since the outbreak of the War and in view of its continuance, the Company has had to adjust its business profile to the changing business reality, which has resulted, among other things, in an increase in operational and commercial risk levels. Additionally, the War has led to increased uncertainty regarding routine operations in many areas and difficulties in forecasting market demand, the competition, and their interactions. As a result, the Company is incurring additional costs, which are caused, *inter alia*, from longer flight routes, increased security expenses, suboptimal management of human resources (among other things, due to recruitment of the Company's manpower to military reserve duty, and due to the inability, from time to time, to accommodate crews in some destinations) etc. All of which are compounded by the overall increase in input costs in the Israel and globally as part of the recovery from the Covid crisis.

The financial results for 2024, against the current business reality and its characteristics, which followed the business results for 2023 with the continued strengthening of market demand as the recovery from the Covid crisis progresses, along with the efficiency improvements and operational measures implemented by the Company in recent years, led to an improvement in the Company's financial position and liquidity reserves. Additionally, on 1 April 2024, the Company raised capital as detailed in Note 18B below, amounting to approx. USD 140 million (before issuance costs), which further improved the Company's financial position. As of 31 December 2024, the Company's capital totaled approx. USD 527.5 million.

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 most 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, the management of the Group 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 by the management of the Group in these financial statements.

(2) Provisions and contingent liabilities:

For the purpose of assessing the exposures arising from claims filed 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 the Group's 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 2024.

(3) Employee benefits:

The present value of the Group's liability to pay retirement and severance pay for some employees in Israel, leave payment for all employees in Israel, sick leave encashment for some employees in Israel and other benefits, 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 further details regarding the actuarial assumptions and the sensitivity analysis regarding them.

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, the estimated useful lives and residual values of the Group's aircraft and engines are determined based on the 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.

Also, the publication of the New Standard has led to minor amendments to other accounting standards, including IAS 7 - Statement of Cash flows, which may affect the classification of cash flows in the statement of cash flows.

The New Standard will be retroactively implemented to annual periods commencing on or after 1 January 2027. According to the decision of the Securities Authority, early implementation is possible starting 1 January 2025. The Company is examining the effects of the New Standard as detailed above.

Note 3 – Cash and Cash Equivalents

	As of 31 December	
	2024	2023
	USD In million	USD In million
Cash and balances in banks	164.5	101.8
Cash equivalents	348.3	284.4
Total Cash and Cash Equivalents	512.8	386.1

As detailed in Note 4 below, in addition to the cash and cash equivalents balances mentioned above, as of 31 December 2024, the Group had approx. USD 891.0 million invested in short-term deposits (in banks) and approx. USD 40.0 million invested in long-term deposits (in banks), 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 Group within a relatively short timeframe, including deposits for various terms. As such, the Group's cash balances and deposits available for use as of 31 December 2024 amounted to approx. USD 1,443.8 million.

Note 4 – Deposits:

The composition:

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Short-term Deposits:		
Deposits in banks for a period of more than 3 months	891.0	19.6
Deposits provided by the Group as collateral for aircraft lease agreements (see Note 11A(3))	13.7	15.1
Deposit provided by the Group as collateral for derivatives (1)	5.1	0.9
Total short-term deposits	909.8	35.6
Long-term Deposits:		
Long-term deposits in banks	40.8	6.2
Deposits with service providers and others	9.5	7.5
Deposits provided by the Group as collateral for aircraft lease agreements (see Note 11A(3))	99.7	100.7
Total long-term deposits	149.2	114.4

(1) Deposits invested by the Group as collateral for derivative financial instruments recognized as liabilities.

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. Revenues from such sales are recognized at the time of actual flight, which 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, hereinafter: "**IATA**") agents, who pay via IATA's banking clearing system (BSP for passenger agents and CASS for cargo agents abroad) 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 sale of FF points, tourism wholesalers, maintenance 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 the customers—most of whom are the credit card companies or agents operating through IATA's clearing mechanism, as explained above.

Note 5 – Trade Receivables (Cont.)

C. The composition:

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Expected proceeds from credit card sales (see (1) below)	140.3	147.7
Outstanding accounts – IATA Agents	124.3	96.0
Outstanding accounts – Others	52.7	49.0
Accounts receivable	5.6	6.6
	322.9	299.3
Net of - a provision for doubtful debts and credit losses (mostly over 90 days)	(6.1)	(5.5)
Total trade receivables balance	316.8	293.8

(1) The trade receivables balances as of 31 December 2023 included a balance for a credit card clearing agent in the U.S. and Canada (the "**Clearing Agent**"), amounting to approx. USD 44 million. This balance originates from flight ticket sales and was held as collateral by the aforesaid Clearing Agent in case the Group was required to refund customers in the event it is unable to provide the flight. During 2024, the Group transferred most of its activity with the Clearing Agent to another company. As a result, the collaterals deposited by the Group were gradually released in accordance with the utilization rate of the flight tickets., so that as of the date of the Statement of Financial Position, the balance held by the Clearing Agent is not material.

D. Customer debt aging:

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Not in arrears	309.4	287.3
In arrears up to 90 days	4.4	3.2
In arrears more than 90 days	9.1	8.8
Total	322.9	299.3
Net of - a provision for doubtful debts and credit losses (mostly over 90 days)	(6.1)	(5.5)
Total as of end of year	316.8	293.8

The average overdue period of customer debts as of 31 December 2024 is ~159 days.

Note 6 – Trade and Other Receivables

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Interest receivable due to bank deposits	25.2	0.7
Government institutions	15.6	12.6
Receivables for engine overhauls	0.3	7.1
Advances to suppliers	2.3	3.1
Other receivables (1)	14.6	6.7
Total trade and other receivables	58.0	30.2

(1) The balance includes, among other things, receivables for the delay in the delivery of the aircraft, and for funds expected to be paid to the Company by the insurance companies.

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	
	2024	2023
	USD in millions	USD in millions
Agent commissions	16.4	9.8
Credit card fees	15.5	7.4
Other prepaid expenses	11.5	7.1
Total Prepaid Expenses	43.4	24.3

Note 8 – Inventory

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Jet fuel for consumption	8.8	4.0
Materials and food supplies	7.6	7.0
Chemicals	1.6	1.7
Duty-free products	2.9	2.8
Total Inventory	20.9	15.5

Note 9 - Long-term Investments

A. The composition:

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Investment in Phantom option in Cal (see Section B below)	20.7	12.5
Receivables in respect of the TAMAM plant (see Section C below)	8.2	2.7
Investments in investment ventures (see Section D below)	1.6	1.9
Total	30.5	17.1

B. Phantom option in Cal

In December 2018, the Company signed an in-principle agreement for engagement with Diners Club Israel Ltd. and Israel Credit Cards Ltd. ("**Diners**", "**Cal**," and the "**Credit Card Companies**", respectively), regarding the issuance and operation of branded credit cards for its 'Matmid' Frequent Flyer Program ("**FFP**") members (the "**Agreement**"), for a ten years period starting from 1 September 2019, with a mutual exit right for each party after seven years (the "**Engagement Period**").

As part of the Agreement, the Company was granted a Phantom option that provides economic rights in Cal (equivalent to 8.75% of Cal's value appreciation) or in Diners (equivalent to 35% of Diners' value appreciation), which can be exercised only in the event of a sale or issuance of either of them, according to the terms set forth in the Agreement in this regard, and will be settled in cash. This option was converted to the subsidiary El Al Frequent Flyer Ltd. upon its establishment in 2022.

In the Strum Committee (which examined the separation of credit card companies from banks), according to the Promotion of Competition and Reduction of Concentration in the Israeli Banking Market Law (Legislative Amendments), 5777-2017, it was determined that first, credit card companies owned by banks with broad activity in the banking system should be separated. In this context, a "bank with broad activity" is defined as a bank whose asset value exceeds 20% of the total asset value of all banks in Israel. For banks that do not meet the definition of "bank with broad activity" in the banking system, such as Discount Bank (which controls Cal), the Strum Committee recommended that an examination be conducted to determine the necessity of separating them from the credit card companies based on the development of the competition and the manner of such company's competitive conduct.

On 19 January 2023, as part of the aforesaid policy to increase competition in the banking and credit industry, the Minister of Finance decided to exercise his authority and amend the regulations to change the ratio fixed in the definition of "bank with broad activity," and as a result of this decision, to mandate the separation of Cal from Discount. As a result, on 30 January 2023, the Knesset Finance Committee approved the requirement to separate Cal from Discount Bank, until the end of three years from the commencement date (the date of publication of the regulations in the Official Gazette) or until the end of four years in certain circumstances, if a public issuance is decided upon.

As of the date of the Statement of Financial Position, the Group revalued the Phantom option based on an external valuation made by the Group, according to which, the value of the Phantom option, calculated using the Black & Scholes model, is approx. ILS 75.3 million (approx. USD 20.7 million as of the report date), of which approx. USD 8.2 million were carried in the report period to the statement of profit and loss as "Other revenues" (approx. USD 12.5 million in 2023). The valuation was based, *inter alia*, on the following parameters and estimates:

Note 9 - Long-term Investments (Cont.)

B. Phantom option in Cal (Cont.)

(a) The value of the underlying asset – the fair value of Cal's shares, which constitute the underlying asset, was estimated at approx. ILS 3.1 billion, whereas according to the Agreement, the Group is entitled to the appreciation between such amount and approx. ILS 1.8 billion, and thus, for the purpose of measuring the fair value of the Phantom option, this amount was calculated as the option's exercise price increment.

(b) The option period was estimated at approx. 2.33 years.

(c) Standard deviation of approx. 30.62%, a risk-free interest rate of approx. 4.5%, and an expected dividend yield of approx. 10.90%.

The fair value of Cal at the valuation date (the value of the underlying asset), and consequently the fair value of the Phantom option, are classified as Level 3 inputs, in accordance with International Financial Reporting Standard 13 - Fair Value Measurement ("**IFRS 13**"). Since Cal is a private company, its value is estimated based on valuation techniques.

For the purpose of estimating the fair value of Cal, the market approach was used – the market multiples method of similar companies.

Sensitivity Analysis

An increase of ~20.0% in Cal's estimated fair value would raise the value of the Phantom option to approx. ILS 112.5 million (approx. USD 30.9 million), whereas a decrease of ~20.0% would lower the value of the Phantom option to approx. ILS 42.3 million (approx. USD 11.6 million). Additionally, an increase of approx. 37.6% in the estimation of the expected dividend yield would reduce the value of the Phantom option to approx. ILS 59.5 million (approx. USD 16.3 million), whereas a decrease of approx. 54.1% would increase the value of the Phantom option to approx. ILS 102.4 million (approx. USD 28.1 million).

C. 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 establishing a new plant being set up by the subsidiary TAMAM and is treated as a receivable grant related 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 now recognized in the Statement of Financial Position as long-term receivables, which will be deducted from the costs of construction of the new plant and will accordingly reduce future depreciation expenses related thereto.

D. Investments in investment ventures

The investments include investment ventures, which operate in collaboration with the subsidiary Cockpit Innovation Ltd., and in return, Cockpit holds capital instruments in such ventures (mainly Start Up companies).

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, parts, consumables, etc.) as detailed below. In addition, the fixed assets include the Group's 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.

Note 10 – Fixed and Intangible Assets (Cont.)

A. Composition of the fixed assets (Cont.)

(1) Composition of the amortized cost in the Statement of Financial Position:

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Amortized cost:		
Aircraft and flying equipment	1,547.0	1,531.6
Other fixed assets and intangible assets (see Note 10H)	108.5	83.3
	1,655.6	1,614.9

(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 consumable parts	Total
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Cost:					
As of 1 January 2023	2,169.7	264.9	76.2	198.7	2,708.5
Classification	(193.4)	201.1	(5.7)	(2.0)	-
Additions	112.4	10.2	(45.2)	56.6	133.9
Write-off	(9.1)	(5.6)	-	(54.9)	(69.6)
As of 31 December 2023	2,079.6	470.5	24.2	198.5	2,772.8
Classification	0.6	-	(1.3)	0.8	0.1
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
Accumulated depreciation:					
As of 1 January 2023	968.9	68.2	-	110.3	1,147.5
Classification	(62.5)	62.5	-	-	-
Depreciation this year	81.5	21.9	-	31.3	134.7
Write-off	(6.4)	(5.6)	-	(29.0)	(41.0)
As of 31 December 2023	981.5	147.0	-	112.7	1,241.2
Reversal of impairment (see Note 10F(1) below)	(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
Amortized cost:					
As of 31 December 2024	1,037.0	343.1	74.9	92.0	1,547.0
As of 31 December 2023	1,098.1	323.5	24.2	85.8	1,531.6

Note 10 – Fixed and Intangible Assets (Cont.)

A. Composition of the fixed assets (Cont.)

(3) The composition of the Group's aircraft fleet (passenger and cargo) as of 31 December 2024:

Aircraft fleet:	Aircraft type	No. of seats per aircraft type (on average)	Aircraft in service	Aircraft not in service	Total	Average age	Owned	Leased
737-800	Passenger – narrow-body	169	16	-	16	20.3	7	9*
737-900	Passenger – narrow-body	175	8	-	8	10.0	8	-
777-200	Passenger – wide-body	279	2	2**	4	23.6	4	-
777-200	Passenger – wide-body in a Dreamliner configuration	313	2	-	2	17.4	2	-
787-8 (Dreamliner)	Passenger – wide-body	238	4	-	4	4.1	4	-
787-9 (Dreamliner)	Passenger – wide-body	271	12	-	12	6.3	4	8
737-800	Cargo – narrow-body	-	1	-	1	22.6	-	1
Total			45	2	47	13.8	29	18

* See Note 10E below for details regarding the purchase of leased Boeing 737-800 aircraft.

** One of the Boeing 777-200 aircraft is in the process of refurbishment for the purpose of recommissioning and modification to Dreamliner configuration. See Note 10F(1) below.

(4) Liens and limitations

In general, the Group's aircraft and engines are pledged to the lenders with 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 Group for the duration of the financing periods. At the end of the lease terms, the aircraft are transferred to the Group, including potential and ancillary rights such as insurance. The Group is prohibited from transferring or registering additional liens on the assets without prior consent from the lenders. See also Note 14F below for further details.

B. Expansion of 787 Dreamliner wide-body aircraft fleet

(1) In December 2022, the Company signed an agreement to purchase its 17th aircraft from Boeing, with an expected delivery date, as notified by the aircraft manufacturer Boeing, during 2025. See Note 14E(1) below regarding the signing of agreements for the financing of such aircraft.

(2) In 2017, the Company signed an agreement with a foreign lessor granting it the option for a dry lease of up to two 787-9 aircraft. This option has been extended by the Company from time to time. Further thereto, 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 during 2026 and 2027 for the 18-19 787-9 aircraft, respectively.

Note 10 – Fixed and Intangible Assets (Cont.)

B. Expansion of 787 Dreamliner wide-body aircraft fleet (Cont.)

(3) In April 2024, the Company signed an agreement with aircraft manufacturer Boeing to purchase three additional Boeing 787-9 aircraft (20^{th}-22^{nd} 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. The expected delivery dates of the Option Aircraft depend on the Company's exercise of the options and Boeing's aircraft availability.

According to the Agreement, the Company has flexibility regarding the receipt dates of some 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 2024, 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.

The Three Aircraft will join the Company's current fleet of 16 787 aircraft (twelve 787-9 and four 787-8 aircraft). Upon the receipt of additional 787 aircraft during 2025-2027 (aircraft 17-19 (as detailed in Sections 1 and 2 above), and the receipt of the additional Three Aircraft in 2029-2030, the Company's 787 fleet is projected to reach 22 aircraft, and up to 28 aircraft in subsequent years, should the Company fully exercise the options.

(4) 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, to 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**"). If the Option Aircraft are exercised, the Updated Agreement shall also apply to such aircraft.

(5) Additionally, as part of the Updated Agreement and further to Section 3 above, the Company purchased replacement engines for its 787 fleet. One replacement engine was delivered to the Company in November 2024, and another replacement engine is expected to be received by the Company in 2028.

C. Expansion, replacement, and renewal of the Company's narrow-body 737 aircraft fleet:

On 14 August 2024, the Company signed an agreement with aircraft manufacturer Boeing ("**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**".

Note 10 – Fixed and Intangible Assets (Cont.)

C. Expansion, replacement, and renewal of the Company's narrow-body 737 aircraft fleet: (Cont.)

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. The Company will examine operation of several 737 MAX aircraft (in lieu of exercise of some of the Option Aircraft) by leasing them from companies for aircraft leasing (the "**Leased Aircraft**"), according to the agreements to be finalized with these companies, such that in total the Company will operate up to 31 737 MAX 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, subject to prior notice 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 be approx. USD 1.5 billion. To the extent that the Company decides to exercise the Option Aircraft and/or bring forward operation using any of the Leased 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, the number of Leased Aircraft that will be leased, price adjustments to be applied on the future delivery dates of the aircraft, credits granted to the Company, etc.

As of 31 December 2024, 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, ranging from USD 580 million to USD 750 million, for the Purchased Aircraft and for the Option Aircraft, depending on the number of Option Aircraft to be exercised and the number of Leased Aircraft to be leased.

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.

D. Purchase of Boeing 777 aircraft for its engines:

In July 2024, the Company signed an agreement with a foreign company to purchase a fuselage Boeing 777 aircraft and its two engines for the purpose of disassembling it to increase the number of engines used by the Company's Boeing 777 aircraft fleet. The consideration paid by the Company for the purchase of the fuselage and its engines totaled approx. USD 7.3 million.

E. Purchase of Boeing 737-800 aircraft that are leased by the Company:

(1) In July 2024, the Company signed an agreement to purchase a Boeing 737-800 aircraft with a foreign company, from which the Company leased the aircraft for the past twelve years. The purchase of the aircraft was recorded as fixed assets in the Statement of Financial Position as of 31 December 2024.

(2) In January 2025, after the date of the Statement of Financial Position, the Company signed an agreement to purchase a Boeing 737-800 aircraft with a foreign company, from which the Company leased the aircraft for the past twelve years.

Note 10 – Fixed and Intangible Assets (Cont.)

F. 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 LLP (Life Limited Parts) ("**LLP**"), and the overhaul cost component ("**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 Group 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. For aircraft that are determined to be expected to be retired from active service, the Group states their book value at their expected disposal value, net of expected selling costs. In this context, in 2021, the Company retired two Boeing 777-200 aircraft, in line with its business plans at that time (the Covid crisis), and accordingly recorded an impairment on such aircraft. With the emergence from the Covid crisis and according to the Company's updated business strategy and plans, as well as the lack of available aircraft in the market, in Q2/2024 the Company began the process of refurbishment of one of such aircraft, for the purpose of recommissioning and configuration modification to such aircraft. Accordingly, in 2024, the Company recognized a reversal of impairment loss amounting to approx. USD 15.0 million, which was carried in the Company's statement of profit and loss to the "Other revenues, net" item

In 2024, the Group made a change in the useful life estimates of certain aircraft in the Group's fleet as well as the expected engine hours according to the Group's assessments, among other things in view of the agreement for the purchase of 737 MAX aircraft that are expected to gradually change existing 737 Boeing aircraft that are operated by the Company. The impact of such change in estimate resulted in an increase in depreciation expenses of approx. USD 5.4 million for the year.

(2) Spare parts and consumable parts:

The cost of spare parts and consumable parts is determined using the moving weighted average cost method, and is depreciated based on usage rates (issuance). In addition, the Group makes a specific current provision for the impairment of these parts.

Rotable and repairable consumable parts and components are recognized at their actual cost and depreciated according to the lifespan of the fleet to which they are assigned. Parts and components that are not attributed to a specific fleet are depreciated over the remaining average useful life of all the Group's aircraft fleets.

Note 10 – Fixed and Intangible Assets (Cont.)

G. 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, the Group estimates the expected future cash flows from the use of the aircraft (expected contribution) and 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 average cap rate. In 2024 the Company did not recognize any indicators of impairment.

H. 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, or in the case of leasehold improvement, over the shorter of the useful life or the remaining lease term of such asset.

	As of 31 December 2024			As of 31 December 2023
	Cost	Accumulated Depreciation	Depreciated Cost	Depreciated Cost
	USD in million	USD in million	USD in million	USD in million
Buildings and facilities at BGA	105.8	83.9	21.9	23.7
Computers and office furniture	11.4	4.9	6.5	5.0
Ground equipment and machinery	60.0	48.7	11.2	11.4
Improvements to leased offices	4.3	4.0	0.3	0.5
Vehicles and garage equipment	9.9	7.1	2.8	0.7
Buildings (1)	19.2	0.2	19.1	6.6
Intangible assets (2)	85.1	38.5	46.7	35.4
	295.7	187.2	108.5	83.3

(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 the construction of the building is expected to be completed during 2025, *inter alia* due to the impact of the War on the construction industry. The Company is funding its construction from the Group's own sources. See Note 9C above on the IAA's participation.

(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 of 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 range of discount rates for the leased aircraft is 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 range of discount rates is between 4.3% and 5%), and the range of discount rates for the leased buildings is between 7.3% 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) Changes in the lease agreements

When a modification to lease agreements is made (not treated as a separate lease), the liability is remeasured based on the updated discount rate as of the date of the change, with changes in the liability amount are carried to the cost of the right-of-use asset and affecting future depreciation expenses.

Note 11 – Leases (Cont.)

A. Accounting Policies: (Cont.)

(3) 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.

(4) 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 flows from investing activities.

B. Changes in the lease agreements

(1) Dry lease of passenger aircraft

- In the matter of engagements of two additional 787 aircraft under dry lease, see Note 10B(2) above.
- In October 2024, the Company signed an extension of lease agreement, with a foreign lessor, of a Boeing 737-800 aircraft for an additional period of 6 years, starting from October 2024 (end date of the original lease). Following such agreement, the Company recorded during Q4/2024 an increase in the right-of-use asset and a lease liability in the amount of approx. USD 10 million.
- In March 2024, the Company signed an extension of lease agreement, with a foreign lessor, of a Boeing 737-800 aircraft for an additional period of 31 months, starting from October 2024 (end date of the original lease). Following such agreement, the Company recorded in 2024 an increase in the right-of-use asset and a lease liability in the amount of approx. USD 3.2 million.

(2) Wet lease of passenger aircraft

During 2024, the Group engaged, with a foreign lessor, in agreements for wet lease of Boeing 737-800 aircraft. Thus, during 2024, the Group operated a total of four aircraft for various periods. After the date of the Statement of Financial Position, the Group signed an agreement with such foreign lessor, whereby starting from 2025 the Group will operate four aircraft for various periods under wet lease.

Note 11 – Leases (Cont.)

B. Changes in the lease agreements (Cont.)

(3) Dry lease of cargo aircraft

In February 2023, the Company signed an agreement with a foreign company for the dry lease of a Boeing 737-800 cargo aircraft for a period of ~6 years from its delivery date.

(4) Wet lease of cargo aircraft

During 2024 the Company operated an Airbus 300-600 cargo aircraft under wet lease from a foreign lessor, with whom the Company engaged in an agreement until the end of 2026.

C. The Group's lease composition and scope:

As of 31 December 2024, the Group leases 18 aircraft and 3 engines under dry lease. The remaining lease terms range from ~1 year to ~9 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.

Regarding the composition of the Group's aircraft fleet as of 31 December 2024, see Note 10A(3) above.

(1) Rights of use of leased assets:

	Aircraft	Buildings and Vehicles	Total
Rights of use of leased assets – Depreciated cost		USD in million	
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**
Balance as of 1 January 2023	656.9	63.5	720.4
Depreciation for the period	(87.9)	(11.1)	(99.0)
Additions during the period	14.5	14.2	28.7
Changes and write-off during the period	(4.6)	-	(4.6)
Balance as of 31 December 2023	**578.9**	**66.6**	**645.5**

Note 11 – Leases (Cont.)

C. The Group's lease composition and scope: (Cont.)

(2) Lease liabilities:

Lease liabilities	Aircraft	Buildings and Vehicles	Total
		USD in million	
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, index 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**
Balance as of 1 January 2023	820.4	88.5	908.9
Additions during the period	14.5	14.2	28.7
Write-off and changes during the period	(4.6)	-	(4.6)
Payment of the notional principal component (w/o interest)	(105.3)	(10.4)	(115.7)
Changes in the payable interest, index and exchange rate differences and other	(13.3)	(0.2)	(13.5)
Balance as of 31 December 2023	**711.7**	**92.1**	**803.8**
Current lease liabilities	111.9	14.1	126.0
Long-term lease liabilities	599.8	78.0	677.8
Total lease liabilities as of 31 December 2023	**711.7**	**92.1**	**803.8**

In the matter of the expected payment dates of the liabilities, see Note 14H below regarding the liquidity risk.

D. Expenses (revenues) recognized in the Statement of Profit and Loss due to leases:

(1) Revenues (expenses) in the Statement if Profit and Loss due to leases for which assets and liabilities have been recognized according to International Financial Reporting Standards 16 – Leases ("IFRS 16"):

	For the year ended 31 December		
	2024	2023	2022
		USD in million	
Depreciation expenses for right-of-use assets	100.9	99.0	100.9
Interest expenses for lease liabilities	39.4	42.5	47.8
Revenues from exchange rate differences	(0.4)	(0.1)	(2.0)
Total impact on the Statement of Profit and Loss	**139.9**	**141.4**	**146.7**

Note 11 – Leases (Cont.)

D. Expenses (revenues) recognized in the Statement of Profit and Loss due to leases: (Cont.)

(2) Revenues (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		
	2024	2023	2022
	USD in million		
Expenses related to short-term leases (*)	41.2	47.9	33.6
Expenses related to leases of low-value assets	3.3	3.2	3.1
Expenses related to variable lease payments not included in the measurement of lease liabilities	-	0.9	3.2
Rent waivers granted due to Covid relief	-	-	(1.9)
Total impact on the Statement of Profit and Loss	**44.5**	**52.0**	**38.0**

(*) This amount is primarily composed of expenses due to wet leases (leasing the aircraft with its crew), which are typically entered into for short periods.

E. Cash flows for leases:

	For the year ended 31 December		
	2024	2023	2022
	USD in million		
Cash flows for notional principal of leases (financing activities)	122.9	115.7	98.7
Cash flow for notional interest on leases (operating activities)	39.4	43.1	48.2
Total cash flows for lease liabilities	**162.3**	**158.8**	**146.9**

Note 12 – Trade and Other Payables

Current liabilities:

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Airport taxes payable	98.7	58.1
Payables for foreign airline flight segments not yet redeemed (1)	7.9	16.9
Interest payable	3.6	5.1
Provision for future refurbishment of leased aircraft (see Note 10A)	21.1	18.6
Liability due to engine supplier	2.7	26.6
Institutions and other payables	50.4	10.4
Total	184.3	135.7

(1) This balance reflects the amounts of flight tickets that have been sold by the Group, which it is required to transfer to the foreign companies that will carry out the flights.

Non-current liabilities:

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Provision for future refurbishment of leased aircraft	128.8	129.0
Positive balance due to an amount received in advance for fuel consumption (1)	9.4	8.6
Other	0.4	1.6
Total	138.6	139.2

(1) 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. 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 2C(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 depreciated in the Statement of Profit and Loss 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.

(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.

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 (Cont.)

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 financinfg 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	
	2024	2023
	USD in millions	USD in millions
From the sale of flight tickets	812.0	391.0
In respect of vouchers	118.2	151.8
In respect of FFP points	166.9	117.3
Bonuses from credit companies	6.5	6.3
Transport of aviation security personnel	0.5	0.4
Other	4.4	5.7
Total	1,108.5	672.5

C. Non-current liabilities:

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
In respect of FFP points	69.7	61.2
Bonuses from credit companies	9.6	13.6
Transport of aviation security personnel	155.0	155.5
Total	234.4	230.3

Note 13 – Recognition of Revenue and Deferred Revenue (Cont.)

D. Movement in FF point liability:

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Opening balance	178.5	156.1
Increase in liability due to point accrual	202.9	125.7
Decrease in liability due to point redemption and expiration	(144.9)	(103.3)
Closing balance	236.6	178.5

The movement in liability as detailed above constitutes the movement in liability related to the Group's FFP points, which includes, among other things, the decrease in liability due to the redemption and expiration of points originating from both accumulated flight points (earned through the purchase of flight tickets) and accumulated external points (primarily earned through credit card purchases).

The decrease in liability of approx. USD 144.9 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 liability of approx. USD 202.9 million is mainly due to the accumulation of points both from purchases related to flights and from credit card purchases made by the FF members.

For details regarding the revenues from the loyalty program component, see Note 20A 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, also due to the postponement of principal and interest payments (see below), the Group examines whether it constitutes a material change in the terms and conditions of the debt.

As concerns the accounting policy relating to a loan received against the assets of the FF Company, see Note 14C below.

As concerns the accounting policy relating to a loan from the Controlling Shareholder, see Note 14D below.

Composition:

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Loans received against the Company's aircraft	74.85	920.7
Loan received against assets of the FF Company	54.4	90.7
Utilization of credit lines	19.9	19.5
Total loans from financial entities, see Note 14B	822.8	1,030.9
Loan from the Controlling Shareholder (see Note 14D)	9.8	70.0
Bonds	-	2.2
	832.6	1,103.1

Note 14 – Loans (Cont.)

B. Movements and balances in respect of loans from financial institutions

	Fixed-Interest Loans	Variable-Interest Loans (SOFR)	Overdrafts	Total
	USD in millions	USD in millions	USD in millions	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, see Note 14E(3)	(23.2)	(35.6)	-	(58.8)
Current repayments and movements in overdraft	(42.6)	(104.8)	0.4	(147.0)
Other changes	(10.1)	7.9	-	(2.1)
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

(*) The interest rate does not include an effective interest due to impairment of fees for the collateral specified in Note 14F(2) below.

(**) The interest rate does not include an effective accounting interest which was recognized due to the Phoenix loan, as specified in Note 14C.

(***) The interest rate does not include an impact of the hedging. See Note 19F 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	Variable-Interest Loans (LIBOR)	Loans for Finance of Aircraft Pre-Delivery Payments ("PDP")	Overdrafts	Total
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
For the year ended 31 December 2023:					
Effective interest-rate weighted average (%) (*)	3.7	6.7	8.6	8.5	
As of 1 January 2023:					
Current maturities	44.4	127.4	28.1	23.4	223.3
Long-term loans	279.2	609.3	-	-	888.6
Total loans from financial institutions	323.6	736.8	28.1	23.4	1,111.9
Movements during 2023:					
Receipt of long-term loans	19.0	107.1	-	-	126.1
Current repayments and movements in overdraft	(43.3)	(134.6)	-	(3.9)	(181.8)
Other changes	(4.4)	7.2	(28.1)	-	(25.3)
Total loans from financial institutions as of 31 December 2023	294.9	716.5	-	19.5	1,030.9
Of which: current maturities	44.2	112.6	-	19.5	176.3
Total long-term loans	250.7	603.9	-	-	854.6

(*) See notes on the previous page.

Note 14 – Loans (Cont.)

C. Loan received against FF 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. The loan agreement, including the Option, constitutes 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 that was received initially recognized as a financial liability measured at an amortized cost. The Option amount was deducted from the aforesaid loan, and therefore the effective interest rate of the loan is in the range of approx. 14.5%-15.5%.

- In September 2022, Phoenix exercised most of the Option through a purchase of 19.9% of the FF Company shares held by the Company. For further details, see Note 19G below.

- 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. As a result of such prepayment, the Group recognized, under 'Financing expenses, net' for 2024, an expense in the sum of approx. USD 6.8 million. Conversely, the Group expects to decrease the financing expenses in the coming years until full repayment of the loan in a sum total of approx. USD 11.8 million.

- In the context of the aforesaid addendum, it was agreed between the FF Company and Phoenix that Phoenix shall commit to providing the FF Company with a credit facility for taking out 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 cancelling the option of accelerating the Phoenix loan in the event in which 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 2024, the nominal interest rate of the Phoenix loan was 5.5%, in accordance with the FFP's meeting of financial ratios in accordance with the said agreement.

- On consents regarding the rest of the Phoenix option, including the exercise mechanism, see Note 19G below.

Note 14 – Loans (Cont.)

C. Loan received against FF assets (Cont.)

- 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, and more. In addition:

  a. The financing 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 financing 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 financing 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 in case a financial creditor of the FF Company is entitled to accelerate a debt of the FF Company (cross default), all in accordance with the financing agreement.
  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 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.

  As of 31 December 2024, and as of the date of release of the financial statements, the subsidiary is in compliance with the financial covenants as aforesaid.

D. Loans from the Controlling Shareholder

In April 2024 and further to Note 18B 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. As a result of such repayment, the balance of the loans from the Controlling Shareholder is approx. USD 9.8 million. See Note 21C(3) below for further details.

E. Additional changes in the status of the loans

(1) Finance of acquisition of the 17th Boing 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). Under the Agreement, the Company will be provided a loan of USD 120 million for acquisition of the Aircraft. The Company has the right to draw down the amount of the loan over the course of two years or so as of the receipt of the Aircraft, and, in any case, the Company must draw down the amount no later than approximately two years as of that date, with the amount drawn being in keeping with the payment schedule specified in the Agreement at the time of the drawdown.

The accounting treatment for this type of loan is the recognition of a prepaid expenses asset for the fees to be paid until the date of drawdown of the loan, as transaction costs to be treated as part of the financing expenses during the period in which the loan is made available to the company, immediately after the drawdown date, until its repayment, according to the effective interest method, calculated at the time of the loan drawdown.

Note 14 – Loans (Cont.)
E. Additional changes in the status of the loans (Cont.)

(2) Bonds

In January 2022 the Company signed an agreement with the *Tnufa LeTzmicha* ('Momentum for Growth') nonprofit organization ("**NGO**"), which was established by the *Histadrut* – New General Federation of Labor and is acts for increasing employment and preventing unemployment, under which agreement the Company was provided bonds in the sum of ILS 10 million. In August 2024, the Company prepaid the bonds to the NGO.

(3) Repayment of loans received

In 2024, the Company prepaid loans received against the Company's aircraft in a total sum of approx. USD 35.6 million. See Note 14C above regarding details on partial prepayment of the Phoenix 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	Book balance as of 31 December 2024	Aircraft and spare engines and other assets serving as collateral	Required ratio of outstanding balance to collateral value
	USD in millions		
Local bank (1)	11.7	1 737-900 aircraft	80%
Foreign banks and bonds issued by an SPC (2)	759.3	4 spare engines 3 737-800 aircraft 5 737-900 aircraft 1 777-200 aircraft 4 787-8 aircraft 4 787-9 aircraft	-
The Phoenix loan with a fixed charge on shares in the FF Company (3)	54.4	Issued share capital of the subsidiary	-

(1) Some of the credit agreements provide 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 2024, 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 14C 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 2024, can be accelerated 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, such as a merger or a change of control, without obtaining prior written consent from the banking institution, as well as the occurrence of additional standard events commonly found in financing transactions.

G. Fair value of loans:

	As of 31 December 2024		As of 31 December 2023	
	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	219.5	206.3	295.7	285.9

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.

	Y2025	Y2026	Y2027	Y2028	Y2029 Forth	Total
	USD in millions					
Current loan principal repayments	158	126	102	138	319	843
Current lease principal payments	121	109	100	102	264	696
Total current repayments	279	235	202	240	583	1,539
Payments to be included in the Statement of Profit and Loss and therefore included in the cash flow from current operations:						
Loan interest payments (1)	41	30	22	16	18	127
Lease interest payments	33	27	22	17	31	130
Total interest payments	74	57	44	33	49	257
Total payments (2)	353	292	246	273	632	1,796

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) It was assumed that the balance of the loan from the Controlling Shareholder will be repaid in 2025 in cash in accordance with the terms of the loan. For details, see Note 14D above.

(3) 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 14E(1) above.

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, as well as proceeds expected from the exercise of options (see Notes 18B and 18C below), which are anticipated 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. In addition, the benefits also include pension payments for certain local employees as specified below. Some of the Group's post-employment benefits are defined contribution plans and some are 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.

Note 15 – Employee Benefit Liabilities (Cont.)

A. Accounting Policy: (Cont.)

(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 2C(3).

Note 15 – Employee Benefit Liabilities (Cont.)

B. Composition:

			As of 31 December 2024		As of 31 December 2023	
			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	81.6	-	71.5	-
Provisions due to profit bonuses (1)		Mostly ILS	83.8	-	18.5	-
Post-employment benefits:						
Benefit for retirement and severance pay in Israel	C	ILS	-	15.9	-	19.4
Sick leave encashment	D	ILS	-	29.9	-	23.6
Pension funds for employees in representative offices:	E					
U.S.A.		USD	-	-	6.2	-
England		GBP	-	-	-	0.2
Retiree benefits	F	ILS	-	5.9	-	9.1
Other post-employment benefits	G	ILS	-	4.3	-	6.2
Other long-term employee benefits:						
Days of leave and rest liability (2)	I1	ILS	59.0	-	45.9	-
Other long-term liabilities	I2	ILS	-	5.2	-	4.9
Dismissal benefits:						
Voluntary retirement plans		ILS	(0.9)	-	(1.1)	-
Total in the Statement of Financial Position			223.5	61.2	141.0	63.4

(1) See Note 20E for further details. In addition, some of the profit bonuses were paid during 2024.

(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.

The pension fund in England:

Starting from 2005, the fund does not admit new employees and no additional accrual of rights exists thereunder. Since the payments in respect of the obligation are primarily funded by the assets of the plans, and in view of the existing deficit in the pension plans, the Group supplemented certain amounts in respect of the obligations also from its self-funded sources. However, during 2024, as a result of the completion 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 liabilities by approx. USD 0.4 million. 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.

The pension fund in the U.S. and its settlement:

In 2023, The Company decided to sell and settle the pension plan of the local U.S. employees. Accordingly, on 31 October 2023, the accumulation of benefits was frozen, and the plan was discontinued. In 2024, the pension in the U.S. was actually settled, in a net amount of approx. USD 5 million (beyond the settlement amounts which were paid from the plan assets). The gap between the said amount and the net liability amount as of the settlement date, which totaled approx. USD 1 million, was recognized as a decrease in payroll expenses in 2024.

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

	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 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 expenses (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	1.3	2.6	0.5	0.1	6.1
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)	(1.8)
Settlement expenses (revenues)	-	-	3.4	-	0.7	4.1
Other changes during the period	-	-	-	-	0.6	0.6
Total	2.9	1.7	3.7	0.3	2.7	11.3
For the year ended 31 December 2022:						
Cost of service*	0.3	1.5	0.1	0.2	-	2.2
Cost of interest	1.1	0.6	1.7	0.4	0.1	3.8
Return on the plan assets according to the cap rate	(0.3)	-	(1.7)	-	-	(2.0)
Real return carried from the severance to the provident item	-	-	-	-	-	-
Exchange rate differences	(4.4)	(3.6)	(0.5)	(1.3)	-	(9.9)
Other changes during the period	-	-	-	-	(0.2)	(0.2)
Total	(3.3)	(1.5)	(0.4)	(0.7)	(0.1)	(6.1)

*Under the agreement signed with the Pilots Committee in 2022, the quota of pilots who are over the age of 65 and move on to supervision and instruction positions with the Company was reverted to 20, for the term of the agreement (in 2020, as part of the efficiency improvement plan, the quota had been reduced to 17). In view thereof, the quota of pilots who are eligible for the retirement bonus decreased, and in 2022 the Group consequently recognized an expenditure decrease of approx. USD 4.4 million as the cost of past services.

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					
	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)
Changes in exchange rate	(0.2)	(0.2)	(0.2)	(0.1)	-	(0.7)
Settlement payment	-	-	(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)
Changes in exchange rate	-	-	(0.2)	-	-	(0.2)
Settlement payment	-	-	(19.6)	-	-	(19.6)
Closing balance – fair value of the plan assets	10.8	-	12.8	-	1.8	25.4
Average lifespan of the obligation (in years)	5.3	10.1		18.0		
Cap rate, as a percentage	5.39-7.8	5.7		5.6-7.6		
Sensitivity analysis for a 1% increase in the cap rate	(1.0)	(2.9)		(1.0)		

The discount rate for the pension in England is 5.1%.

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 2023					
	Severance Pay in Israel	Pension Funds	Retiree Benefits	Pension Funds	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	33.0	24.1	52.5	10.2	6.6	126.4
Cost of service	2.7	1.1	0.1	0.1	1.5	5.5
Cost of interest	1.6	1.3	2.6	0.5	0.1	6.1
Actuarial losses (profits)	(0.4)	(0.4)	(0.1)	(1.0)	(1.5)	(3.4)
Benefits paid	(7.2)	(1.8)	(19.8)	(0.4)	0.2	(29.0)
Changes in exchange rate	(1.0)	(0.7)	0.7	(0.3)	(0.1)	(1.4)
Settlement expenses	-	-	3.4	-	(0.2)	3.2
Other changes during the period	-	-	-	-	1.3	1.3
Closing balance – current obligation value	28.7	23.6	39.4	9.1	7.9	108.7
Change in fair value of the plan assets:						
Opening balance – fair value of the plan assets	9.5	-	49.5	-	2.0	61.0
Return on the plan assets according to the cap rate	0.7	-	2.4	-	0.1	3.2
Remeasurements due to the difference between the actual return on the plan assets and the return calculated according to the cap rate	1.0	-	(0.9)	-	-	0.1
Contributions by the employer	0.5	-	1.2	-	-	1.7
Benefits paid	(2.0)	-	(19.8)	-	(0.1)	(21.9)
Changes in exchange rate	(0.3)	-	0.6	-	-	0.3
Settlement expenses	-	-	-	-	(1.0)	(1.0)
Other changes during the period	-	-	-	-	0.7	0.7
Closing balance – fair value of the plan assets	9.4	-	33.0	-	1.7	44.1
Average lifespan of obligation (in years)	5.3	9.6		18.0		
Cap rate, as a percentage	5.3-7.5	5.8		7.75-5.85		
Sensitivity analysis for a 1% increase in the cap rate	(0.9)	(2.2)		(1.4)		

The discount rate is 4.94% for the U.S. pension and 4.4% for the pension in England.

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 5.8 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.

I. 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 2024		
Opening balance:	45.9	4.9
Amounts recognized in profit and loss in respect of defined benefit plans:		
Cost of service*	29.9	0.5
Cost of interest	2.5	0.4
Exchange rate differences	(0.1)	-
Actuarial losses (profits)**	10.2	(0.1)
Total	42.5	0.8
Benefits paid		
Use	(24.2)	(0.5)
Encashment	(5.2)	-
Total	(29.4)	(0.5)
Closing balance	59.0	5.2
Average duration of 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	(25.2)	-
Closing balance	45.9	4.9
Average duration of the obligation (in years)	8.9	7.3
For the year ended 31 December 2022:		
Opening balance	52.5	3.7
Amounts recognized in profit and loss in respect of defined benefit plans:		
Cost of service*	31.0	0.1
Cost of interest	1.0	0.1
Exchange rate differences	(5.9)	(0.3)
Actuarial losses (profits)	(9.1)	(0.6)
Total	17.0	(0.7)
Benefits paid		
Use	(22.0)	(0.1)
Encashment	(6.2)	-
Total	(28.2)	(0.1)
Closing balance	41.3	2.9
Average duration of obligation (in years)	7.4	10.3

* Most of the obligation is paid in current employee pay, i.e., as use of days of leave.

** The actuarial loss mostly derived from changes in the actuarial assumptions as detailed above.

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 2C(2).

As of 31 December 2024, pending against the Company are legal claims totaling approx. USD 650 million and additional legal claims which at this stage are not quantified in monetary amounts. With respect to these claims, the Company recognized a provision in the Financial Statements in the sum total of approx. USD 13.4 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 2023	12.1
Additional recognized provisions (including an update to existing provisions)	-
Amounts used and canceled during the year	(4.0)
Balance as of 31 December 2023	8.1
Additional recognized provisions (including an update to existing provisions)	5.3
Amounts used and canceled during the year	-
Balance as of 31 December 2024	13.4

Note 16 – Provisions and Contingent Liabilities (Cont.)

B. Details of Key Legal Proceedings:

Specified below are the 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	The claim asserts an 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 sued in the proceeding (British Airways, Lufthansa and Swiss) filed a motion for approval of a settlement, which has not yet been decided. The claim against the Company is in the stage of preliminary proceedings. Concurrently, a mediation is being held between the Company and the plaintiff.	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 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 port taxes collected by the Company from passengers at the time of the 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 port 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 port 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 port taxes. The claim is in the stage of preliminary proceedings. Concurrently, a dialogue is being held between the Company and the plaintiff.	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 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 parties have referred the case to mediation, which has recently come to an unsuccessful end.	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 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". 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 stage of preliminary proceedings.	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.

Note 16 – Provisions and Contingent Liabilities (Cont.)

B. Details of Key Legal Proceedings: (Cont.)

Specified below are the 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
5	February 2018	Class certification motion / Central District Court	The certification motion is based on the claim that the Company abused its status as a declared monopoly on the Tel Aviv-Mumbai route by charging time-sensitive passengers an unfairly high price.	ILS 321 million (personal amount of ILS 11,250)	At the end of a preliminary hearing, it was agreed that the cause of action of a restrictive trade practice and the remedy with respect to non-pecuniary damage would be omitted from the certification motion and the action. Thereafter, a trial hearing was held, at the end of which the Court ordered the parties to file summations.	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.
6	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)	The certification motion is scheduled for a preliminary hearing in September 2025.	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 class actions that have been filed against the Company: (Cont.)

7	November 2023	Class certification motion / Tel Aviv-Jaffa District Court	The certification motion is based on the claim that the Company, by its conduct, is ostensibly breaching its duties vis-à-vis passengers whose flight was canceled. The petitioners claim that when passengers contact the Company directly to receive the consideration for canceled flight tickets, the Company ostensibly renounces its statutory duty and refers the passengers to third parties to receive the consideration.	Personal amount of ILS 1,616 for the first petitioner and ILS 4,655 for the second petitioner	The Company filed its answer to the certification motion. The Association of Travel Agencies and Tourism Consultants in Israel filed a motion to join the proceeding as an Amicus Curiae. A pretrial hearing is scheduled for April 2025.	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.
8	December 2023	Class certification motion / Central District Court	The certification motion is based on the claim that in December 2022, the Company sent preliminary notice to the FF members of a change to the FF program commencing from 1 September 2023, with respect to the limiting of the validity of points accrued in accounts or for the future accrual of which entitlement was established by the purchase of a flight prior to the date of the change, with the Company misrepresenting, so the petitioner claims, that the change benefits the FF members while in practice, the change is ostensibly detrimental to a significant portion of the FF members.	ILS 96.6 million	The Company filed its answer to the Court. A pretrial hearing is scheduled for May 2025.	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 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
9	April 2024	Class certification motion / Tel Aviv-Jaffa District Court	The certification motion was filed against the Company and the FF Company. The certification motion is based on the claim that the balance of diamonds accrued by an FF member is ostensibly deleted on the date that his/her status eligibility is being reviewed.	ILS 800 million (personal amount of ILS 6,447)	The Company has filed its answer with the Court. A trial hearing was held, at the end of which the court ordered the parties to file closing statements.	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.
10	September 2024	Class certification motion / Tel Aviv-Jaffa District Court	The certification motion was filed against the Company and the FF Company. The certification motion is based on the claim that the Company sometimes does not credit at all, and sometimes tardily credits, FF members with diamonds and points, where – so it is claimed – the FF members are entitled to accrue diamonds and points; it is further claimed that the Company charges FF members for the selection of a Space and/or upgraded seat, even when, as claimed, the FF member is entitled to a free Space seat, and that the Company offers for sale a specific preferred seat even after it has already been sold.	ILS 120 million (personal amount of ILS 3,000)	The Company is studying the motion and will duly file its answer with the Court. The Court ordered that prior to delivering the motion for the Company's response, the petitioners shall explain why jurisdiction lies with the District Court, including by providing an appropriate calculation of the alleged damage.	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 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
11	September 2024	Class certification motion / Central District Court	The certification motion was filed against the Company and the FF Company. The certification motion is based on the claim that the Company breaches the terms of the FFP by under-accrual of points and diamonds due to the non-granting of points and diamonds for the AP component, and at the time of exercise of points by conversion thereof into flight tickets, the Company charges USD 8 in cash for the AP component, instead of accepting payment therefor in FF points.	Personal amount of USD 44.55	The Company is studying the motion and will duly file its answer with the court.	At this preliminary stage it is not yet possible to assess the chances of the claim being granted.
12	September 2024	Class certification motion / Haifa District Court	The certification motion is based on claims with respect to the credit vouchers issued by the Company.	Not quantified	The Company is studying the motion and will duly file its answer with the court.	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 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
13	October 2024	Class certification motion / Jerusalem District Court	The certification motion is based on claims with respect to the credit vouchers issued by the Company, and with respect to the service known as "El Al Protect", which enables passengers to purchase the right to cancel the booking for any reason, up to 48 hours before takeoff, against a credit voucher.	Not quantified	The certification motion was transferred to the Haifa District Court, and afterwards the Company filed a motion for summary dismissal of the certification motion which no decision has been issued therein.	At this preliminary stage it is not yet possible to assess the chances of the claim being granted.
14	January 2025, after the date of the Statement of Financial Position	Class certification motion / Central District Court	The certification motion is based on the claim that the Company does not provide persons with disabilities using its services with a special wheelchair for using the restrooms during the flight, in breach of the law.	ILS 84 million (personal amount of ILS 10,000)	The Company will study the motion and duly file its answer with the Court.	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, additional class certification motions have been filed against the Company as of 31 December 2024 in the sum total of approx. ILS 11 million (approx. USD 3 million). The Company has not recognized a provision 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:

(1) In August 2023, a motion for class certification was filed against the Company and against the FF Company (the "**Respondents**") with the Tel Aviv-Jaffa District Court. The motion claims that the Respondents publish a pricelist of bonus tickets for roundtrip flights for various destinations, which varies according to different parameters, from which pricelist the number of points payable for each flight is derived. In addition, it was claimed that although it emerges from the Respondents' reports that they are aware that the members of the FF may be overcharged for bonus tickets, and although the Respondents undertake to carry out "checks and controls" and to credit the customer's account on a quarterly basis in any case of overcharging, a considerable number of bookings made by the petitioner and his wife proves that the Respondents are violating their undertaking, on 11 March 2024 a judgment was issued approving the petitioner's withdrawal of the certification motion, after it was clarified that the Respondents had taken action to credit all of their customers who were overcharged with points whose total value amounts to a non-material sum, and after the parties reached further agreements with regards to the Respondents' future conduct as specified in the withdrawal arrangement.

(2) In July 2020, a class certification motion was filed against the Company with the Central District Court for the amount of approx. USD 400 million. The motion claims that the Company was not reimbursing its customers who bought flight tickets for flights that were supposed to take off starting from 1 February 2020 and were cancelled, with the consideration they had paid within the period of time determined therefor in the law, and that the Company was ostensibly not informing consumers and the public of their right to receive reimbursement of consideration and/or that they were required to contact it in writing for reimbursement of the consideration. On 24 March 2024, a judgment was issued approving the settlement arrangement reached by the parties. In the settlement arrangement, the Company undertook to continue taking action to reimburse customers' outstanding funds for flights that were canceled during Covid, from 1 February 2020 to 1 March 2022, subject to and in accordance with the provisions of the settlement arrangement, and agreed to pay compensation to the petitioner and legal fees to his counsel in non-material amounts.

(3) In July 2023, a class certification motion was filed against the Company with the Central District Court. The motion claims that prior to the purchase of a certain quantity of tickets in the same booking (generally a quantity of 2-3 tickets or more), the Company's systems transfer all of the tickets to a higher price level from the first ticket. The result being, as it claimed, that the booking price may be hundreds of dollars higher than if the customer splits his booking (for example, into two bookings of a single ticket). The alleged damage caused to the members of the class that was defined in the certification motion was estimated in the amount of ILS 147 million. On 14 April 2024, a judgment was issued summarily denying this motion and charging the petitioner with the Company's costs. The judgment determined, *inter alia*, that the motion raises a cause of action that was heard in a previous class certification motion which was filed against the Company and which approved a settlement arrangement prescribing the action required by the Company. On 20 June 2024, the Group received a notice of appeal from the judgment. The appeal proceeding is still pending at the Supreme Court.

(4) In March 2018, a consolidated motion for class action certification was filed against the Company in the Central District Court, in which various claims were made with respect to the unlawful collection of a "security levy" payment by the Israeli airlines. The extent of the alleged damage to all members of the class that was defined in the certification motion was estimated by the petitioners in the amount of ILS 612 million with respect to the Company alone. On 31 August 2023, a judgment was rendered denying the certification motion and requiring the petitioners to pay for the Company's expenses. On 10 January 2024, a notice was received at the Company's offices of the appeal on the judgement which had been filed by the petitioners in the certification motion to the Supreme Court. On 23 May 2024, a hearing was held in the Supreme Court which ultimately rejected the appeal, thus bringing the proceedings to an end.

Note 16 – Provisions and Contingent Liabilities (Cont.)

B. Details of Key Legal Proceedings: (Cont.)

Legal proceedings that have come to an end: (Cont.)

(5) In July 2023, a class certification motion was filed against the Company with the Central District Court. The motion includes various claims against flights that the Company operates under wet lease. In this context it was claimed, *inter alia*, that the Company is violating a judgment that certified a settlement agreement in a previous motion for class certification that had already been filed against the Company on the same matter. In November 2024, a judgment was rendered confirming the withdrawal arrangement reached by the parties while dismissing without prejudice the certification motion and dismissing the petitioner's personal claim. As part of the withdrawal arrangement, the Company undertook to refresh certain procedures and pay the petitioner and his counsel compensation and legal fees in immaterial amounts.

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 31 December 2024. 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 2024	Recognized in profit and loss	Recognized in the 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
Liabilities for employee benefits	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)

	Balance as of 1 January 2023	Recognized in profit and loss	Recognized in the other comprehensive income	Recognized in capital	Balance as of 31 December 2023
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Timing differences:					
Fixed assets	(312.5)	9.9	-	-	(302.5)
Derivative financial instruments	(7.1)	0.6	1.6	-	(5.0)
Provisions and doubtful debts	3.4	(0.4)	-	-	3.1
Phantom options	-	(2.9)	-		(2.9)
Intangible assets in respect of the FFP	108.6	(12.4)	-	-	96.2
Liabilities for employee benefits	23.5	2.0	(0.3)	-	25.2
	(184.1)	(3.1)	1.3	-	(185.9)
Losses for tax purposes	294.3	(4.8)	-	-	289.5
Total	110.2	(7.9)	1.3	-	103.6

Note 17 – Taxes on Income (Cont.)

B. Expenses for taxes on revenues recognized in profit and loss:

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
Current tax expenses	0.5	0.4	1.0
Deferred taxes	132.2	7.9	(124.8)
Tax expenses (benefit)	132.6	8.4	(123.8)

C. Effective tax:

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
Profit (loss) before taxes on income	677.6	125.1	(14.4)
Statutory tax rate	23%	23%	23%
Tax expenses (benefit) according to statutory tax rate	155.8	28.8	(3.3)
Additional tax for:			
Non-deductible expenses	6.2	4.2	1.2
Recognition of tax asset in respect of separation of the FFP operations	-	-	(108.6)
Recognition of deferred tax asset not recognized in previous years	(29.4)	(24.5)	(13.2)
Total tax expenses (benefit) in Statement of Profit and Loss	132.6	8.4	(123.8)

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 2019.

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 2024	1	1,875,000,000	1	447,246,287
Balance as of 31 December 2023	1	1,875,000,000	1	252,782,990

In May 2024, the Company's share began trading under the TA-125 Index. Furthermore, starting from November 2024, the Company is also included in the MSCI Israel Index. At the start of 2025, after the date of the Statement of Financial Position, TASE announced that the Company is one of 35 companies that have entered the "100 Club" for 2024, which is a list of companies whose share price rose by more than 100% in 2024.

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 each 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 sub-section D 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.

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 amounted as of the issuance date 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.

Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

D. Terms of the warrants and the scope of their exercise

The table below includes data regarding the Series 2 Warrants and Series 3 Warrants:

	Series 2 Warrants	Series 3 Warrants
No. 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
No. of exercised warrants (1)	975,286,929	-
Proceeds for warrants not exercised (USD in million)	89.8	-
No. of warrants remained as of the date of the Statement of Financial Position	274,713,071	92,000,000
No. of issued shares	144,848,525	-

(1) Number of warrants exercised up to the date of the Statement of Financial Position:

	Series 2 Warrants		
	No. of Warrants	No. of Shares	Exercise Price USD in million
2021	101,350,531	12,668,816	19.3
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
	975,286,929	144,830,426	89.8

In addition, after the date of the Statement of Financial Position, and until a date close to the approval of the financial statements, ~3,196,149 Series 3 Warrants were exercised to ~3,196,149 shares of ILS 1 par value for an exercise price of approx. USD 4.9 million. In addition. ~274,627,682 Series 2 Warrants were exercised to ~90,774,872 shares of ILS 1 par value for an exercise price of approx. USD 25.2 million. During February 2025, the remaining Series 2 Warrants, 85,389 in total, had expired.

In addition, shortly before approval of the financial statements, 88,803,851 Series 3 Warrants are exercisable to shares of the Company (at a ratio of ~1 warrants to 1 share, respectively).

E. Earnings per share:

In respect of the options that were issued or granted to senior officers and employees, due to the convertible shareholder loan as stated in Note 14F above, and due to the bonds that were convertible into shares at the Group's choice (most of which were paid up but still existed in part of the period), 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 458,804,452 shares, as specified below.

Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

E. Earning per share: (Cont.)

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
Profit used for the basic earnings per share	541.4	112.6	108.7
Adjustments			
Option to purchase shares in a subsidiary	-	-	(0.3)
Bonds convertible into ordinary shares	0.1	0.2	3.2
Profit used for calculation of diluted earnings per share	541.5	112.8	111.6

	For the year ended 31 December		
	2024	2023	2022
	Shares in millions	Shares in millions	Shares in millions
Weighted average of the no. of ordinary shares used for calculation of basic earnings per share	376.0	274.7	215.5
Adjustments			
Warrants	55.4	74.5	57.4
Loan convertible into shares	20.6	60.7	79.6
Bonds convertible into ordinary shares	1.8	2.9	44.0
Share-based payment	4.8	0.3	-
Restricted stock	0.2	-	-
No. of shares used for the diluted earnings	458.8	413.1	396.5

The Company has additional potentially-dilutive instruments in the form of options for Company shares under share-based payment plans, which may potentially dilute the basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because their effect was anti-dilutive.

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. The Company's dividend distribution policy:

As part of the Company's dividend distribution policy, the Company shall distribute dividends from time to time, at the Board's discretion, and subject to the needs of the Company.

Implementation of this policy 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. Adoption of this policy does not derogate from the authority of the Company's Board to decide, at any time, on any modification, amendment and/or cancelation of the dividend policy determined in this resolution and/or to approve additional distributions within the limits permitted by law and/or to decide to reduce the dividend actually distributed or to refrain from distribution, considering the Company's liquidity, operations, business and changing position from time to time.

In July 2020, the Group's Board confirmed that insofar as the Group takes out a loan secured by a State guarantee, the Group shall not distribute dividends and shall not perform any buyback of shares throughout the term of the loan, until the date of repayment of the entire loan, other than with the prior consent of the finance provider and the State.

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 profit in all of the said years jointly, as of the date of the distribution.

For details regarding advanced negotiations with the State concerning changes to the conditions related to dividend distribution in 2025, see Note 21B(3)(4).

H. Share-based payment:

(1) On 31 October 2022, the Company's Board approved a private allotment of 7,100,000 non-transferable and non-negotiable options, exercisable for ordinary shares of par value ILS 1 each of the Company, granted at no cost to eleven offerees. The options were granted to ten offerees who are officers of the Company, none of whom is the Company's CEO nor a director, and to one offeree who is an officer of a material subsidiary of the Group, in accordance with and subject to the terms of the Group's "2022 option allotment plan" (the "**2022 Plan**"), adopted by the Company's Board on 10 August 2022. The options are granted to the offerees via a trustee under Section 102 of the Income Tax Ordinance in 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, without consideration, to the Company's CEO and to the Chairman of the Board of the Company, respectively, according and subject to the 2022 Plan and the other terms and conditions as specified in the notice of meeting report.

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 become exercisable starting 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.

Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

H. Share-based payment: (Cont.)

(2) On 27 December 2023, the Company's Board approved a private allotment of 1,400,000 non-transferable and non-negotiable options, exercisable for ordinary shares of par value ILS 1 each of the Company, granted at no cost to two additional 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 via a trustee under Section 102 of the Income Tax Ordinance in 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 become exercisable starting 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 allotment of 1,700,000 non-transferable and non-negotiable options, exercisable for ordinary shares of par value ILS 1 each of the Company, granted at no cost to seven offerees who are officers of the Company, none of whom is the Company's CEO or director, in accordance with and subject to the 2022 Plan. The options are granted to the offerees via a trustee under Section 102 of the Income Tax Ordinance in the capital gains track.

The options will vest over a period of 3 years, with 1/3 of the total options granted will vest and become exercisable after each full 12-month period of continuous service of each offeree, starting from 1 January 2024.
The options will become exercisable starting 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 a framework plan for employees 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, granted at no cost, of which 5,150,000 options 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 via a trustee under Section 102 of the Income Tax Ordinance in the capital gains track.

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

(4) On 19 November 2024, the Company's Board approved a private allotment of 4,395,506 non-transferable and non-negotiable options, exercisable for ordinary shares of par value ILS 1 each of the Company, granted at no cost, 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 director, in accordance with and subject to the 2022 Plan (as updated in August 2024). The options are granted to the offerees via a trustee under Section 102 of the Income Tax Ordinance in the capital gains track.

With respect to nine offerees, the options and restricted shares will vest over a period of 3 and a half years, with 1/3 of the total options granted vesting and becoming exercisable starting on 30 June 2026 (an additional 1/3 of the options vesting starting on 30 June 2027, and an additional 1/3 starting on 30 June 2028).

Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

H. Share-based payment: (Cont.)

(4) (Cont.)

The options and restricted shares will become exercisable starting 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 shares will vest over a period of 4 and a half years, with 1/3 of the total options granted vesting and becoming exercisable starting on 30 June 2027 (an additional 1/3 of the options vesting starting on 30 June 2028, and an additional 1/3 starting on 30 June 2029).
The options and restricted shares will be exercisable starting 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 such a date, the Company's Board approved a private allotment of 350,000 non-marketable and non-transferable options exercisable for ordinary shares of par value ILS 1 each of the Company, granted at no cost, to 3 additional offerees who are not officers of the Company, in accordance with and subject to the 2022 Plan. The options are granted to the offerees via a trustee under Section 102 of the Income Tax Ordinance in the capital gains track.

The options will vest over a period of 3 years, with 1/3 of the total options granted will vest and become exercisable after each full 12-month period of continuous service of each offeree, starting from 19 November 2024.
The options will become exercisable starting 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.

Date of approval of the grant by the Board of Directors	31/10/22 15/12/22	27/12/2023	15/04/2024	15/04/2024	19/11/2024	19/11/2024
No. of offerees	12 (A)	2	7	46	11	3
No. of options	8,900,000 (A)	1,400,000	1,700,000	5,150,000	4,395,506	350,000
No. of restricted stock	-	-	-	-	1,997,337	-
Share price (in ILS) (B)	4.10	3.32	4.59	4.59	8.26	8.26
Exercise price (in ILS)	3.89 (C)	3.25 (C)	4.80 (C)	4.80 (C)	7.55 (D)	7.55 (D)
Risk-free interest	3.22%	4.05%	4.16%	4.0%	4.63%-4.67%	4.63%-4.67%
Fair value of an option (in ILS)	2.06	1.74	2.23	2.03	3.66-4.23	3.66-4.23
Fair value of restricted stock (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 on the grant date (ILS in millions) (E)	18.3	2.4	3.8	10.5	33.0	1.4
Fair value on the grant date (USD in millions, at the exchange rate on the grant date)	5.3	0.7	1.0	2.8	8.8	0.4

Note 18 – Capital and Retained Earnings and Share-Based Payments (Cont.)

H. Share-based payment: (Cont.)

a) Net of the number of options of one offeree, who left the Company in 2023 prior to the vesting of the options granted to him.

b) Was set according to the closing price of the Company's share on TASE on the trading day prior to the date of the Board's resolution.

c) The exercise price was set as the share price based on the average of the last 30 days preceding the grant date. It is not linked to any indexation base.

d) The exercise price was set as the share price based on the average of the last 30 days preceding the grant date. It is not linked to any indexation base.

e) 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, while using the Black-Scholes (B&S) model.

In respect of all of the aforesaid grants, in the year ended 31 December 2024, 2023 and 2022, the Group recognized an expense in the sum of approx. USD 3.6 million, approx. USD 2.5 million and approx. USD 1.6 million, respectively.

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 Company 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 Group's Finance 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 2024, 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 fair 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 recorded 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, when the results of the hedging transactions are carried to statement of profit and loss, the results of the Jet Fuel hedging transactions are recorded in the fuel expense item, while forward contracts for ILS-USD exchange rate currency protection are recorded under 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 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 million	USD in million	USD in million	USD in million	USD in million	USD in million
Derivative financial instruments:								
Derivative financial instruments designated as hedging items:								
Jet Fuel hedging transactions	2	1/25-12/254	179.8	2.5		(1.0)		1.4
Interest hedging transactions	2	*	** 376.3	9.5	17.5	0.0	0.0	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 19G)	3					(22.5)		(22.5)
Total assets from derivative financial instruments				12.6	17.5	(24.3)	(15.2)	(9.4)

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 2023							
	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 million	USD in million	USD in million	USD in million	USD in million	USD in million
Derivative financial instruments designated as hedging items:								
Jet Fuel hedging transactions	2	1/24-12/24	131.9	2.0				2.0
Interest hedging transactions	2	*	**434.9	13.8	17.8	0.0	0.0	31.6
USD-ILS exchange rate hedging transactions	2	2/24-8/24	153.0	3.9		(0.1)		3.8
USD-JPY exchange rate hedging transactions		8/29	35.8				(11.1)	(11.1)
Derivative financial instruments at fair value through profit or loss:								
Option to purchase shares in the FF Company	3					(12.6)		(12.6)
Total assets from derivative financial instruments				19.7	17.8	(12.6)	(11.1)	13.7

* 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, where volatility was estimated at ~32%, and the risk-free interest rate was estimated at ~5%.

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 million	USD in million	USD in million	USD in million	USD in million
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)
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.)

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 million	USD in million	USD in million	USD in million	USD in million
For the year ended 31 December 2023					
Jet Fuel derivatives:					
Balances for Jet Fuel derivatives as of 1 January 2023		(0.1)			0.9
Revaluation of transactions designated on the books as hedging instruments	-	1.9	1.9	-	1.9
Revenue from transactions designated on the books as hedging instruments	10.0	(10.0)	-	10.0	(10.0)
Prepayment of transactions	0.0	0.0	-	-	-
Loss from premiums due to the expiration of derivatives designated as hedging instruments	(5.6)	5.6	-	-	-
Premium payments for hedging instruments	-	-	-	(9.2)	9.2
Total movement in Jet Fuel derivatives	4.4	(2.5)	1.9	0.8	1.1
Balances for Jet Fuel derivatives as of 31 December 2023		(2.6)			2.0
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)	-	10.3/(7.5)	10.3/(7.5)	-	10.3/(7.5)

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 Group’s primary revenues and expenses are 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. Conversely, the Group owns financial assets in ILS which primarily consist of cash and deposits. A 10% change in the exchange rate would result in an expense or revenue, as the case may be, of approx. USD 6 million, due to the revaluation of the balances in the Statement of Financial Position as aforesaid.

(2) Currency risk from loans taken in JPY

The Company has several loans in which part of its financial debt is denominated in JPY. The total debt denominated in Yen as of 31 December 2024, amounts to approx. USD 85.3 million. The Group has entered into cash flow swap transactions to fix the JPY exchange rate for debt amounting to approx. USD 39.0 million (as of 31 December 2024) out of the aforesaid amount. In view therefor, a 10% decrease or increase in the exchange rate would result in an expense or revenues, as applicable, of approx. USD 5 million due to the revaluation of the unhedged financial debt.

After the date of the Statement of Financial Position, the Company entered into another hedging transaction for the repayment of a balloon loan in JPY, which is expected to be repaid on 30 October 2029. Accordingly, as of shortly before the report release date, ~60% of the debt amount between [sic] is hedged through forward transactions.

(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 million	USD in million	USD in million	USD in million	USD in million
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 JPY loans	(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		0.1			(15.3)
Potential impact of a 10% decrease/(increase) in the exchange rate on the fair value of the derivatives at year-end (USD in millions)	-	6.7/(5.5)	6.7/(5.5)	-	6.7/(5.5)
For the year ended 31 December 2023					
Exchange rate derivatives:					
Balances for exchange rate derivatives as of 1 January 2023		(2.5)			(11.1)
Revaluation of transactions designated on the books as hedging instruments	-	(9.1)	(9.1)	-	(9.1)
Revenue from transactions designated on the books as hedging instruments	(16.2)	16.2	-	(16.2)	16.2
Revaluation of hedging transactions for JPY loans	(1.9)	(0.2)	(2.1)	-	(2.1)
Complementary interest for hedging of loans in JPY	(1.2)	-	(1.2)	-	(1.2)
Total movement in exchange rate derivatives	(19.2)	6.8	(12.4)	(16.2)	3.8
Balances for exchange rate derivatives as of 31 December 2023		4.3			(7.3)
Potential impact of a 10% decrease/(increase) in the exchange rate on the fair value of the derivatives at year-end (USD in millions)	-	21.1/(16.8)	21.1/(16.8)	-	21.1/(16.8)

Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

F. Interest risk:

(1) Description of the risk and quantitative impact

The Group's variable-rate loans are USD-denominated.

The global banking and financial system has ceased using LIBOR rates and transitioned to the use of SOFR rates. As of the report date, the Group has completed the conversion of existing loan agreements and existing hedging transactions.

The Group is exposed to cash flow risk from interest arising from loans with variable interest rates. This risk is managed by the Group by maintaining an appropriate ratio of variable-rate 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 repayment schedules of existing loans.

In accordance with the Group’s interest rate hedging policy, the Group partially hedges its cash flow exposure to the SOFR interest rate (exposure arising from the Group’s loans) using interest derivatives or by taking fixed-rate loans. The actual level of hedging (i.e., the total loans that are either fixed-rate loans or variable-rate loans hedged through interest derivatives) 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 million	USD in million	USD in million	USD in million	USD in million
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	-	0.0	0.0
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 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
For the year ended 31 December 2023					
Interest derivatives:					
Balances for interest derivatives as of 1 January 2023		40.6			42.3
Revaluation of transactions designated on the books as hedging instruments	-	5.8	5.8	-	5.8
Revenue from transactions designated on the books as hedging instruments	16.5	(16.5)	-	16.5	(16.5)
Impact of the hedging on the provision for interest payable	(0.1)	0.1	-	0.0	0.0
Total movement in interest derivatives	16.3	(10.5)	5.8	16.5	(10.7)
Balances for interest derivatives as of 31 December 2023		30.1			31.6
Potential impact of a 50% increase/(decrease) in the interest on the fair value of the derivatives at year-end (USD in millions)	-	(28.1)/34.4	(28.1)/34.4	-	(28.1)/34.4

Note 19 – Derivative Financial Instruments and Hedge Accounting (Cont.)

G. Option for the purchase of shares in the FF Company

Further to Note 14C above regarding a loan received against FF assets, on 13 September 2022 Phoenix exercised most of the Option through acquisition of 19.9% of the FF Company's shares held by the Company.

In respect of the aforesaid exercise, the Company received a sum total of approx. USD 14 million, and the financial liability for the Option in the sum of approx. USD 21.5 million was carried to equity under the item of capital reserve due to transactions with non-controlling interest holders. After such exercise, the Company holds 80.1% of the allotted share capital of the FF Company. As a result of the exercise of the Option the Group recognized, in its 2022 Financial Statements, growth in the equity attributable to the shareholders of the Company due to transactions with non-controlling interests, in the sum of approx. USD 63 million.

The remainder of the Option (5.1%) is still exercisable by Phoenix and is also transferable to the entities listed in the First Schedule to the Securities Law, 5728-1968, and subject to the restrictions agreed by the parties. In the Addendum to the Original Loan Agreement, as specified in Note 14C above, it was agreed that the calculation of the cost of exercise of the remainder of the Phoenix Option for the purchase of FFP shares shall be in accordance with the FF Company's cash balance as of 31 December 2024. In addition, the date of exercise of the Option shall be no earlier than 30 June 2025, and the Company shall have the right to postpone the exercise date until 31 December 2025. If the Option is not exercised by such date, the Option exercise mechanism shall revert to the original terms and conditions of the agreement, including the date of linkage of the exercise price to the FF Company's cash balance. In view thereof, the Option continues to be a derivative that is measured at fair value through profit and loss, in view of the fact that the exercise price fixing is limited until 31 December 2025.

As of 31 December 2024, the Group revalued the remainder of the Option based on an external valuation performed by the Group (Level 3), according to which its value is approx. USD 22.5 million. The main change in value is due to an increase in the value of the underlying asset. Accordingly, an expense of approx. USD 10 million was carried to the Statement of Profit and Loss for 2024 under 'financial expenses' item.

H. Liquidity risk due to derivatives:

Below are the projected amounts and payment dates for the derivatives, based on the projected market conditions as of 31 December 2024:

	Y2025	Y2026	Y2027	Y2028	Y2029 forth	Total
	USD in million					
Jet Fuel hedging transactions	(0.6)	-	-	-	-	(0.6)
Interest hedging transactions	9.5	6.8	5.2	3.5	2.0	27.0
Exchange rate hedging transactions – USD-ILS	0.2					0.2
Exchange rate hedging transactions – USD-JPY		-	-	-	(15.2)	(15.2)
Total payment from derivatives	**9.1**	**6.8**	**5.2**	**3.5**	**(13.2)**	**11.4**

Regarding the Phoenix Option detailed in Note 19G above, although it is a liability, the Group expects a positive cash flow upon its exercise, if any. For details regarding the cash flow that may be received by the Group from the Phantom option in Cal, see Note 9B above.

Note 20 – Breakdown of the Statement of Profit and Loss' Items

A. Revenues from operation:

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
Revenues from passenger transport:			
Revenues from passengers in the Company's scheduled flights (*)	2,784.1	2,040.7	1,613.6
Revenues from related services – Direct (*)	102.6	92.3	61.7
Revenues from passengers in Sundor flights	189.1	126.4	48.4
Total revenues from passenger aircraft	3,075.8	2,259.4	1,723.7
Revenues from cargo transport:			
Revenues from cargo transport in passenger aircraft	186.9	113.7	140.2
Revenues from cargo transport in cargo aircraft	79.9	50.9	55.2
Total revenues from cargo transport	266.8	164.6	195.4
Total revenues from passenger and cargo transport (1)	3,342.6	2,424.0	1,919.1
Related revenues:			
Revenues from loyalty program component (2)(*)	30.6	27.8	18.5
Revenues from the sale of duty-free products	15.9	10.9	10.6
Maintenance services for external parties	13.4	10.5	9.4
Other related revenues (3)	29.3	29.9	28.2
Total related revenues	89.2	79.1	66.7

(1) Below is a breakdown of the Group's revenues from passenger and cargo transport by geographic area:

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
America	1,395.5	928.2	751.6
Europe	1,555.8	1,176.2	944.6
Asia and Africa	391.3	319.6	222.9
Total revenues from passenger and cargo transport	3,342.6	2,424.0	1,919.1

(2) Revenues from the loyalty program component include revenues originating from accumulation from external parties, reflecting the consideration received for the accrual of such points, net of the liability created for such points (mainly for the accrual of points through purchases made with branded credit cards), which is part of the increase in the liability for point accumulation as detailed in Note 13D above. In addition, these revenues include income from signing bonuses.

(3) Other related revenues include, primarily, inflight catering services, membership fees in the FFP, loading and unloading services, etc.

(*) Reclassified.

Note 20 – Breakdown of the Statement of Profit and Loss' Items

B. Marketing and distribution expenses:

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
Commissions to agents and credit card companies	133.0	92.5	80.9
Expenses for distribution systems	37.9	25.9	22.8
Advertising and PR	23.2	23.0	21.6
Total	194.0	141.3	125.3

C. Other expenses (revenues), net:

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
Aircraft impairment reversal to fair value, net of disposal costs (see Note 10F(1))	(15.0)	-	-
Revenues from government grants	-	-	(65.7)
Capital gain from liquidation of fixed assets	(0.6)	(0.2)	(8.3)
Revaluation of Phantom option	(8.3)	(12.5)	-
Expenses (revenues) due to previous years for employee benefits, net (1)	19.9	0.1	(10.0)
Total	(4.0)	(12.6)	(84.0)

(1) Year 2024 – includes mainly expenses for employee retirement plans and provision for deductions assessment, for previous years.

D. Financing expenses, net:

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
Current interest expenses on loans	36.2	42.7	39.8
Current interest expenses on the Phoenix loan	12.2	13.0	7.8
Additional expenses due to impairment of prepaid fees on loans	7.3	7.6	8.7
Interest on lease liabilities	39.4	42.5	47.8
Interest expenses for prepayment for transport of aviation security personnel	24.9	24.7	23.9
Cost of interest, net, due to actuarial liabilities	5.7	5.0	3.0
Expenses (revenues) from revaluation of the Phoenix option (see Note 19G)	10.0	7.2	(0.2)
Interest revenues from deposits	(47.9)	(9.8)	(4.1)
Exchange rate expenses (revenues)	(2.2)	6.1	(7.1)
Expenses due to prepayment for the Phoenix loan (see Note 14C)	6.8	-	-
Other financing expenses	2.7	3.2	7.7
Total	95.1	142.2	127.3

Note 20 – Breakdown of the Statement of Profit and Loss' Items

E. Payroll expenses:

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
Current payroll expenses	617.7	542.3	451.3
Payroll expenses due to profit bonuses	103.9	19.0	-
Payroll expenses due to share-based payment	3.6	2.5	1.6
Actuarial losses (profits)	7.3	3.4	(10.0)
Total	732.5	567.3	442.9

Note 21 – Transactions with Interested and Related Parties

A. The Company's controlling shareholder

Since September 2020, Mr. Eli Zachary Rozenberg, through 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.

As of 31 December 2024, Kanfei Nesharim holds ~48.56% of the Company's shares. As of shortly before approval of the report, Kanfei Nesharim holds. ~48.27% 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 (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).

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 is 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.

Note 21 – Transactions with Interested and Related Parties (Cont.)

B. Agreements and update of agreements with the Controlling Shareholder and with the State (Cont.)

2.4 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.

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.

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. <u>The January 2022 Agreement</u>

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.

Note 21 – Transactions with Interested and Related Parties (Cont.)

B. Agreements and update of agreements with the Controlling Shareholder and with the State (Cont.)

3.4 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.

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 thereof 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).

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

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.

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.

Note 21 – Transactions with Interested and Related Parties (Cont.)

B. Agreements and update of agreements with the Controlling Shareholder and with the State (Cont.)

The Company is in advanced negotiations with the State regarding the reduction of the Company's obligations as detailed above, including in relation to the dividend distribution limitation. In this context, it is noted that the Accountant General at the Ministry of Finance has been authorized, according to a government decision adopted on 2 March 2025, which addresses, among other things, participation in the security expenses of the Israeli airlines, to sign addendums to agreements signed with the Israeli airlines regarding the purchase of flight tickets for on-flight security personnel and aviation security personnel, in connection with changes to the conditions regarding dividend distributions by the airlines in 2025, all subject to his discretion and the conditions that will be determined, if any.

C. Transactions with other interested parties 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 statements[1];
(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.

[1] 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 parties and related parties: (Cont.)

(2) Transactions with the controlling shareholder or a relative thereof:

(a) On 22 July 2024 and 25 July 2024, the Company's Audit and Compensation Committee and Board, respectively, approved engagement in a D&O insurance policy for the period from 1 August 2024 to 31 January 2026, for directors and officers of the Company and its subsidiaries and of affiliates as defined in the policy, 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 related to the Company's controlling shareholder, as follows: The premium was determined according to the Company's compensation policy. The limits of liability in the policy are USD 80 million per claim and in the aggregate for the entire insurance period, including coverage for the Company for securities claims (the "**Base Policy**"), plus a limit of liability of USD 20 million, applicable above the Base Policy to cover the directors and officers only (Side A DIC), plus reasonable litigation expenses above the said limits of liability.

The IT and HQ expenses for 2024, 2023 and 2022 included expenses for D&O insurance in the sum of approx. USD 0.9 million, approx. USD 2.3 million and approx. USD 4.0 million, respectively.

(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 3 April 2023 and 4 April 2023, the Company's Audit and Compensation Committee and Board, respectively, approved an update to the terms of office and employment of the vice chairs of the Company's Board, Messrs. Kenneth Neal Rozenberg and Daryl Hagler. On 6 June 2023, the meeting of the Company's shareholders approved an update to the terms of office, as aforesaid, as follows:
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), for their position as vice chairs of the Board, in such position percentage as shall be required from time to time.
The vice chairs of the Board shall be entitled, according to their decision, to convert the monthly compensation, in whole or in part, into flight tickets of the Company.
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. It is clarified that the aforesaid does not derogate from the Company's bearing the reasonable work travel expenses of the vice chairs of the Board. It is further noted that 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, and are in effect for three years, from 1 January 2023.

(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, 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 the said third party.

Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested parties and related parties: (Cont.)

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.

(3) Gratuitous transactions with the Controlling Shareholder in favor of the Company

According to agreements with the Controlling Shareholder and the State, as specified above, as of the date of the financial statements, the balance of the shareholder loan, by virtue of the agreements described above, is in the sum total of approx. USD 9.8 million. In April 2024, the Company repaid part of the shareholder loan, in the sum of approx. USD 60.2 million.
It was determined in the Shareholder Loans as specified above that they are gratuitous transactions in favor of the Company, all according to Section 1(2) of the Relief Regulations. The Shareholder Loans on behalf of the Controlling Shareholder, as specified above, are provided for no consideration from the Company, do not bear any interest or linkage and are not secured by any collateral. For details on the repayment of part of the Shareholder Loans, see Note 14D 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 CEO, as specified in Section (c) below, considering 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 standard payments for Mr. Ben Zvi into a managers' insurance policy and/or pension fund chosen by Mr. Ben Zvi. Mr. Ben Zvi is entitled to provisions for a study fund and 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 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 to be paid to the Company's CEO (as specified in sub-Section (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.

Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested parties and related parties: (Cont.)

According to the 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**"), the shareholders' meeting may decide, at its 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).

The Company provides 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, after the date of the Statement of Financial Position, the Company's general meeting of 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 the prolongation of the War), the Company's share in the value of purchase 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 will 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 value of purchase by the Company. The meeting further approved, as aforesaid, the payment of a special bonus to the Chairman of the Board for 2024, in the sum of 4 months of salary.

(b) Agreement for employment of the Company's 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 prior notice. Upon delivery of the prior notice by either of the parties as aforesaid, the parties shall determine the actual date of separation from employment.

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 is 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 separation from employment, 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 as well as to flight ticket benefits upon retirement.

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 CEO (Cont.)

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 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 thousand.

On 26 January 2025, after the date of the Statement of Financial Position, the Company's general meeting of shareholders approved updates to the terms of office and employment of the Company's 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 CEO shall be up to ILS 600,000 (plus VAT). It was further approved that insofar as the 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 CEO for 2024, in the sum of 4 months of salary. A typographical error was also fixed such that the notice period to the CEO upon retirement, will be 6 months (in lieu of 3 months).

For further details regarding the securities granted to the Company's officers, including to the Chairman of the Board and the Company's CEO, see Note 18H to the Financial Statements.

(c) Approval of amendments to the FF Company's agreements

On 22 July 2024 and 25 July 2024, respectively, the Company's Audit and Compensation Committee and Board approved the amendment to the Original Loan Agreement with Phoenix, an affiliate of the Company, in which the Company's CEO has a personal interest, in the FF Company.

On 29 December 2024 and 30 December 2024, respectively, the Company's Audit and Compensation Committee and Board (in lieu of the decision of July 2024) 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 FF 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 14C above.

Note 21 – Transactions with Interested and Related Parties (Cont.)

C. Transactions with other interested parties and related parties: (Cont.)

(5) Cancelation of salary cuts for officers

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 cancelation 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		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
Short-term benefits	11.7	8.3	4.9
Post-employment benefits	0.3	0.3	0.2
Share-based payment	2.3	2.5	1.6
Total	14.3	11.1	6.7

(*) Includes compensation for the Chairman of the Board and for the CEO.

Note 21 – Transactions with Interested and Related Parties (Cont.)

E. Benefits granted to interested parties:

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
CEO's salary (*)	1.8	1.7	0.8
No. of persons to whom the benefit applies	1	1	(**) 2
Services of Chairs employed by the Company	1.5	1.1	0.6
No. of persons to whom the benefit applies	1	1	1
Remuneration for directors who are not employed by the Company	(***) 0.6	0.7	0.3
No. of persons to whom the benefit applies (excluding the Chairman)***	(***) 13	11	9

(*) The amount includes the value of benefit due to share-based payments.

(**) The amount in 2022 is for two CEOs.

(***) the figures include directors who served during the year and vacated their office before the end of the year.

F. Balances vis-à-vis interested and related parties:

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Interested parties / other related parties:		
Under current assets:		
Trade receivables:		
Controlling shareholders and other interested parties	0.3	0.2
Total highest other receivables in the account year	0.2	0.4

Note 21 – Transactions with Interested and Related Parties (Cont.)

F. Balances vis-à-vis interested and related parties: (Cont.)

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Under current liabilities:		
Interested party	0.1	0.1
Current liabilities for employee benefits:		
Interested party	0.1	0.1
Non-current liabilities for employee benefits:		
Interested party	0.2	0.2

G. Transactions with interested and related parties (1):

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
Interested / related parties:			
Revenues from interested and related parties:			
Flight tickets	1.9	2.1	2.3
Expenses for food, passenger service and other operating costs	0.2	0.2	-
Lease expenses	0.1	(*) 8.4	-
IT and HQ expenses	5.2	5.8	5.5

(1) These transactions are exclusive of compensation and benefits for interested parties and key executives as specified in Section (a) above.

(*) The figures include the interested party TUS Airways, which during 2023 ceased to be an interested party.

Chapter D

Separate Financial Statement as of
31 December 2024

El Al Israel Airlines Ltd

Financial Data from the Consolidated Financial Statements Attributed to the Company

As of 31 December 2024

Contents

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 2024, 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 key accounting policies applied in the presentation of these financial data are detailed in the relevant notes and in Note 2 to the consolidated financial statements.

To
The Shareholders of El Al Israel Airlines Ltd

Dear Sir/Madam,

Re: 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 2024 and 2023 and for the two years then ended. The Separate Financial Statement is the responsibility of the Company's board of directors ("**Board**") and management. Our responsibility is to express an opinion on the Separate Financial Statement based on our audit.

The Separate Financial Statement as of 31 December 2022 [sic] and for the year then ended was audited by another auditor whose report of 28 February 2024 thereon included an unqualified opinion.

We conducted our audit in accordance with generally accepted auditing standards in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Separate Financial Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and details included in the Separate Financial Statement. An audit also includes assessing the accounting principles used in the preparation of the Separate Financial Statement and significant estimates made by the Company's Board and management, as well as evaluating the overall presentation of the Separate Financial Statement. We believe that our audit and the other accountants' reports provide a reasonable basis for our opinion.

In our opinion, based on our audit, 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.

Without qualifying our aforementioned opinion, we would like to draw attention to Note 7 to the Separate Financial Statement as of 31 December 2024 regarding the exposure to the certification of class actions against the Company and the Company's exposure to such class actions.

Tel Aviv
11 March 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

El Al Israel Airlines Ltd
Statement of Financial Position

Assets	Additional Information	As of 31 December 2024 USD in million	As of 31 December 2023 USD in million
Current assets			
Cash and cash equivalents	3	467.0	331.2
Short-term deposits		909.8	35.6
Trade receivables		294.1	272.3
Trade and other receivables	6	64.8	36.4
Derivative financial instruments	4	12.6	19.7
Prepaid expenses		43.1	23.7
Inventory		20.1	14.8
Total current assets		1,811.5	733.7
Non-current assets			
Long-term deposits		149.2	114.4
Deferred tax assets	5	-	4.5
Right-of-use of leased assets		559.0	643.7
Fixed and intangible assets		1,634.6	1,607.3
Derivative financial instruments	4	17.5	17.8
Loans and investments in investees	6	146.8	67.0
Total non-current assets		2,507.1	2,454.7
Total Assets		4,318.6	3,188.4

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

Liabilities and Capital	Additional Information	As of 31 December 2024 USD in million	As of 31 December 2023 USD in million
Current liabilities			
Current maturities and short-term credit		146.6	156.7
Loans from the Controlling Shareholder		9.8	70.0
Current maturities due to leases		120.2	125.3
Trade payables	6	202.9	210.0
Trade and other payables	6	272.9	168.1
Deferred revenues		932.8	557.5
Provisions		13.4	8.1
Derivative financial instruments	4	1.8	0.1
Liabilities for employee benefits		219.3	138.0
Total current liabilities		1,919.7	1,433.8
Non-current liabilities			
Loans from financial institutions		621.7	785.4
Liabilities due to leases		574.7	676.6
Bonds		-	2.2
Deferred revenues		196.1	208.9
Long-term other payables		138.6	139.2
Deferred tax liabilities		113.1	-
Liabilities for employee benefits		61.3	63.5
Derivative financial instruments	4	27.9	23.3
Investment in an investee	6	119.6	42.7
Total non-current liabilities		1,853.0	1,941.8
Total Liabilities		3,772.7	3,375.6
Capital (capital deficit)			
Share capital		482.1	429.1
Premium and capital reserves		492.6	353.8
Retained losses		(428.8)	(970.1)
Total capital (capital deficit)		545.9	(187.2)
Total Liabilities and Capital		4,318.6	3,188.4

Amikam Ben Zvi - Chairman of the Board	Dina Ben Tal Ganancia - CEO	Yacov (Yancale) Shahar – CFO

Date of approval of the financial statements: BGA, 11 March 2025.

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

	Additional Information	For the year ended 31 December		
		2024	2023	2022
		USD in million	USD in million	USD in million
Revenues from Operations		3,192.5	2,320.3	1,906.6
Operating expenses:				
Fuel		569.4	537.0	570.6
Payroll expenses		690.7	532.8	417.3
Airport fees and services, and air navigation fees		305.7	274.0	226.7
Maintenance		100.8	72.0	76.8
Food, passenger service and other operating costs		242.3	185.8	152.0
Marketing and distribution expenses		189.1	139.9	121.4
Depreciation and amortization		264.4	247.6	209.1
Rentals		44.5	51.9	40.4
IT and headquarters expenses		113.7	91.3	80.6
Other expenses (revenues), net		4.3	(0.1)	(84.0)
Total operating expenses		2,524.9	2,132.2	1,810.9
Operating profit		667.6	188.1	95.7
Financing expenses, net		61.4	115.0	112.3
Company's share in profits of investees		57.3	37.0	113.9
Profit before taxes on income		663.5	110.1	97.3
Tax expenses (tax benefit)	5	122.1	(2.5)	(11.4)
Net profit for the year		541.4	112.6	108.7

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		
	2024	2023	2022
	USD in million	USD in million	USD in million
Profit for the year	541.4	112.6	108.7
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	0.6	2.2	13.1
The Company's share in other comprehensive income, net, attributable to the investees	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	0.1	(0.2)	0.2
Profit (loss) from cash flow hedging, net of tax	(7.0)	(3.5)	40.7
Profit (loss) from cash flow hedging – time value, net of tax	0.4	(1.6)	(0.6)
Other comprehensive profit (loss) for the year	(5.8)	(2.1)	53.4
Total comprehensive income for the year	535.6	110.5	162.1

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		
	2024	2023	2022
	USD in million	USD in million	USD in million
Cash flows from Operating Activities			
Profit for the period	541.4	112.6	108.7
Adjustments required to present the cash flow from operating activities – Annex A	806.5	264.6	173.4
Cash derived from Operating Activities	1,347.9	377.2	282.1
Cash flows for (to) Investing Activities			
Financing arrangement between the FFP and Pheonix, net	-	-	128.9
Exercise of an option to a subsidiary's shares	-	-	14.0
Purchases of fixed assets (including prepayments for aircraft and general engine overhauls)	(160.0)	(111.6)	(53.5)
Proceeds from the sale of fixed assets, including from a sale and re-lease transaction attributed to the residual value	1.3	0.9	9.4
Investment in intangible assets	(25.8)	(14.2)	(12.6)
Repayment of a loan by a subsidiary, see Note 3.6(2)	73.5	46.3	8.4
Change in deposits and others	(908.9)	(44.6)	(3.7)
Capital note for the construction of a facility in a subsidiary, see Note 3.6(1)	(18.3)	(5.3)	-
Cash derived from (used for) Investing Activities	(1,038.2)	(128.5)	90.9
Cash flows used for Financing Activities			
Proceeds from the issuance of warrants, net of production costs	135.3	-	-
Exercise of warrants to shares	58.1	20.5	1.9
Receipt of loans from banking corporations	-	135.1	-
Receipt of loans from the Controlling Shareholder	-	-	20.0
Repayment of a loan from the Controlling Shareholder	(60.2)	-	-
Payment for loan issuance costs	-	(9.1)	(1.6)
Repayment of loans from financial institutions	(135.2)	(199.8)	(118.0)
Prepayment of loans from financial institutions	(35.6)	-	-
Prepayment of a loan from a subsidiary	(2.0)	-	-
Repayment of lease liabilities	(122.2)	(115.1)	(98.2)
Repayment of bonds	(2.7)	-	-
Liability component due to bond issuance to the State	-	-	27.4
Repayment of liability component due to bond issuance to the State	-	-	(30.1)
Increase (decrease) in short-term credit, net	0.4	(3.9)	4.2
Cash used for Financing Activities	(164.1)	(172.3)	(194.4)
Effect of exchange rate changes on cash balances held in foreign currencies	(9.8)	2.9	(4.7)
Increase in cash and cash equivalents	135.8	79.3	173.9
Cash and cash equivalents at the beginning of the period	331.2	251.9	78.0
Cash and cash equivalents at the end of the period	467.0	331.2	251.9

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		
	2024	2023	2022
	USD in million	USD in million	USD in million
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)	164.1	149.2	108.6
Depreciation of right-of-use assets for leased properties	100.3	98.4	100.5
Other revenues due to government grants, net	-	-	(41.5)
Income tax expenses (revenues)	122.1	(2.5)	(11.4)
Decrease in liabilities for employee benefits	77.7	25.5	(7.7)
Reversal of asset impairment	(15.0)	-	-
Company's share in profit of investees	(57.4)	(37.0)	(113.9)
Adjustments for financing expenses	32.7	27.3	18.8
Other changes	13.2	(1.6)	(1.9)
	437.7	259.4	51.5
Changes in asset and liability items:			
Increase in trade and other receivables	(40.9)	(76.3)	(127.1)
Increase (decrease) in deferred revenue	337.7	(5.7)	163.5
Increase in trade and other payables	96.7	87.5	92.6
Increase (decrease) in prepaid expenses	(19.3)	0.2	(7.1)
Increase (decrease) in inventory	(5.4)	(0.5)	0.1
	368.7	5.2	121.9
	806.5	264.6	173.4
Annex B - Interest Payments, Interest Receipts and Taxes Paid and Classified in Cash Flows from Operating Activities (1):			
Interest payments (2)	72.5	80.9	73.9
Interest proceeds	28.6	21.0	10.4
Tax payments - advances for excess expenses	0.7	0.5	0.3

(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- Material 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**

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 item of short-term deposits.

	As of 31 December	
	2024	2023
	USD in millions	USD in millions
Cash and reserves in banks	127.4	77.5
Cash equivalents	339.6	253.7
Total Cash and Cash Equivalents	467.0	331.2

In addition to the cash and cash equivalents balances mentioned above, as of 31 December 2024, the Company had approx. USD 891.0 million invested in short-term deposits (in banks) and approx. USD 40.0 million invested in long-term deposits (in banks), which are not classified as cash and cash equivalents under the accounting principles, as they are not readily withdrawable within a three-month period. However, they are relatively liquid balances that can be utilized by the Company within a relatively short timeframe (generally within six months). As such, the Company's cash balances and deposits available for use as of 31 December 2024 amounted to approx. USD 1,398.0 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 19A to the consolidated financial statements.

b. Accounting policy:

See Note 19B to the consolidated financial statements.

c. Composition of derivative financial instruments in the Statement of Financial Position:

For details regarding derivatives used by the Group to hedge market risks, see Note 19C 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 2024, the option is measured as a non-current liability in the Company's Separate Financial Statement at approx. USD 12.7 million (as of 31 December 2023: USD 12.2 million).

d. Liquidity risk related to derivatives.

See Note 19H 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:

	Y2025	Y2026	Y2027	Y2028	Y2029 forth	Total
	USD in millions					
Current repayments of loan reserve	137	103	94	138	319	790
Current principal payments due to lease	120	109	100	102	264	695
Total current repayments	257	212	194	240	583	1,485
Payments that will be included in the income statement and therefore be included in cash flows from operating activities:						
Interest payments on loans (1)	34	27	21	16	18	115
Interest payments on lease	33	27	22	17	31	130
Total interest payments	67	54	43	33	49	245
Total payments (2)	323	265	237	273	632	1,730

(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 19H to the consolidated financial statements.

(2) In respect of the repayment of loans from the Controlling Shareholder; see Note 14D to the consolidated financial statements.

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, as well as proceeds expected from the exercise of options (see Note 18C to the consolidated financial statements), which are expected to assist it in meeting both its present and future obligations related to the procurement of aircraft as noted in Note 10 to the consolidated financial statements.

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 31 December 2024, as detailed below.

The calculation of the deferred taxes does not consider 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 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)

	Balance as of 1 January 2023	Recognized in profit and loss	Recognized in other comprehensive income	Recognized in capital	Balance as of 31 December 2023
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Timing differences:					
Fixed assets	(312.5)	9.9	-	-	(302.6)
Derivative financial instruments	(7.1)	0.5	1.6	-	(5.0)
Provisions and doubtful debts	3.4	(0.7)	-	-	2.7
Liabilities for employee benefits	23.5	2.0	(0.3)	-	25.2
	(292.7)	11.8	1.3	-	(279.6)
Losses for tax purposes	292.7	(9.2)	-	-	284.1
Total	-	2.5	1.3	-	4.5

5 - Income Taxes (Cont.)

b. Income tax expenses recognized in profit and loss:

	For the year ended 31 December		
	2024	2023	2022
	USD in million	USD in million	USD in million
Deferred taxes	122.1	(2.5)	(11.4)
Tax expenses (benefit)	122.1	(2.5)	(11.4)

c. The effective tax:

	For the year ended 31 December		
	2024	2023	2022
	USD in million	USD in million	USD in million
Profit (loss) before income taxes and before the Company's share in the profit of investees	606.1	73.1	(16.6)
Statutory tax rate	23%	23%	23%
Tax expenses (benefit) at statutory tax rate	139.4	16.8	(3.8)
Addition tax due to:			
Non-deductible expenses	(3.2)	3.4	1.0
Recognition of tax asset due to separation of FF operations	-	-	-
Recognition of deferred tax assets not recognized in previous years	(28.0)	(23.0)	(8.6)
Tax expenses due to investees that are taxed with the Company	13.9	-	0.0
Total tax expenses (benefit) in the Income Statement	122.1	(2.5)	(11.4)

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 2019 tax year.

6- Loans, Balances, and Significant Agreements with Investees

1. Balances with investees

The Composition:

	31 December	
	2024	2023
	USD in millions	USD in millions
Other receivables:		
Short-term trade and other receivables	7.6	7.7
Capital note to TAMAM (see 3.6(1))	27.0	8.7
Loan to FF Company	-	68.1
Other payables:		
Liabilities to suppliers and service providers	24.5	24.6
Trade and other payables	96.1	36.5
Loan from Borenstein	-	2.0

2. Transactions with investees

	For the year ended 31 December		
	2024	2023	2022
	USD in millions	USD in millions	USD in millions
Revenues (decrease in revenues) (*)	(47.4)	(15.5)	2.3
Operating expenses	65.1	52.4	45.7
Net financing revenues	(8.4)	(7.3)	(6.4)

(*) Reclassified

3. Additional details

(1) TAMAM Aircraft Food Industries (Ben Gurion Airport) Ltd. ("TAMAM")

Upon recovery from the Covid crisis, November 2022 saw the resumption of the project for construction of the new airline food manufacture factory by TAMAM, with an estimated investment of approx. USD 55 million. Construction of this factory will allow TAMAM to significantly expand its airline food and non-airline food operations.

For construction of this factory, 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. Given the terms and conditions of the capital note, the amount is presented as part of the balance of investment in investees.

Furthermore, the Israel Airports Authority will contribute up to USD 13.5 million to the cost of construction, which will be paid to TAMAM in 15 equal installments on an annual basis, as of the end of the first year of operation, plus annual interest at the rate of 3.60%. In respect of such contribution, as of the date of the financial statements, TAMAM recorded approx. USD 8 million under the long-term receivables item. For further details, see Notes 9C and 10H(1) to the consolidated financial statements.

6- Loans, Balances, and Significant Agreements with Investees (Cont.)

3. Additional details (Cont.)

(2) **Information about El Al Frequent Flyer Ltd. (the "FF Company"):**

The FF Company was established in 2022 by the Company for the purpose of transferring the activity of the Company's frequent flyer program to the subsidiary. The operations of the frequent flyer program, including its assets, were transferred to the Company's subsidiary, all according to the needs of the operations of the frequent flyer program and the Company, including development of the frequent flyer program business and recruitment of investors. The subsidiary operates the Company's customer loyalty program, under which customers earn points that can be redeemed for flights and products of the Company, and also earn and redeem points when purchasing additional products and services under the FF Company's collaborations with business entities. In addition, the Company maintains collaborations with financial institutions for issuance of a branded credit card, "FLY CARD", which allows for point accrual based on all purchases made with such card, as well as additional benefits.

When the operations acquisition agreement was signed, the Company provided the FF Company with a shareholder loan of approx. USD 144 million. The purpose of the loan is to pay part of the consideration for acquisition of the business. The FF Company has undertaken that whenever it has available cash flow during the term of the loan, then – subject to the restrictions specified in the original loan agreement with Phoenix, the FF Company would use the surplus available cash flow to prepay part of the shareholder loan in the same amount, unless the board of directors of the FF Company decides otherwise. Because the terms and conditions of this loan are more favorable than market conditions, this loan was initially measured at fair value at approx. USD 103 million, with the difference between the contractual amount and the fair value recognized as equity investment in the FF Company. The effective interest rate is approx. 15% and was determined based on the effective interest rate under the Phoenix loan, see Note 14C.

On 31 December 2024, the FF Company prepaid the outstanding principal of the shareholder loan in the amount of approx. USD 64.0 million. For further details, see Note 14C to the consolidated financial statements.

(3) **Borenstein:**

In 2024, the Company repaid the loan to the subsidiary.

(4) **Details about intercompany revenues and expenses**:

The Company's revenues from investees mostly consist of a revenue decrease deriving from the accrual of frequent flyer program points, counterbalanced by revenues from the redemption of flight points by program members (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.

Kost Forer Gabbay & Kasierer
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ey.com

11 March 2025

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 auditor's report of 11 March 2025 on the consolidated financial statements of the Company as of 31 December 2024, and for the year then ended.
2. A special report by the auditor of 11 March 2025 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 2024, and for the year then ended.
3. The auditor's report of 11 March 2025 on the audit of components of internal control over financial reporting of the Company as of 31 December 2024.

Sincerely,

Kost Forer Gabbay & Kasierer
Accountants

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 2024**
Shortly Before Approval of the Report:	**10 March 2025**
Report period:	**2024**
Financial Statements:	**The consolidated financial statements of the Company for the year ended 31 December 2024, 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 2024 ($ in millions):

	Quarter 10-12/2024	Quarter 7-9/2024	Quarter 4-6/2024	Quarter 1-3/2024
Operating income	851.3	1,003.5	839.1	738.0
Operating expenses:				
Fuel	133.0	168.0	152.3	147.3
Payroll expenses	196.6	202.5	169.6	163.9
Airport fees and services and aerial passage payments	79.1	96.6	81.4	75.7
Maintenance	26.3	28.8	22.4	29.2
Food, customer service and additional operating costs	56.1	63.5	55.7	47.6
Marketing and distribution expenses	50.5	51.3	45.6	46.6
Depreciation and amortization	71.4	66.4	63.6	64.9
Leases	25.7	24.1	15.8	10.7
IT and expenses of HQ	34.5	33.2	31.4	32.0
Other (income), net	11.1	(0.7)	(14.4)	-
Total operating expenses	684.3	733.6	623.3	617.8
Operating profit	166.9	269.9	215.7	120.2
Financing expenses, net	28.0	24.2	22.6	20.4
Profit before taxes on the income	139.0	245.7	193.1	99.8
Tax expense (tax benefit)	9.4	58.3	45.8	19.3
Net profit for the period	**129.6**	**187.4**	**147.4**	**80.5**
Profit (loss) due to remeasurements of defined benefit plan, net of tax	(2.6)	(0.5)	3.5	0.2
Rate differentials due to translation of foreign operations	0.5	0.1	(0.3)	(0.2)

Profit due to cash flow hedging, net of tax	7.8	(16.4)	(3.0)	4.5
Profit (loss) due to cash flow hedging – time value, net of tax	0.8	(1.4)	(0.4)	1.4
Total comprehensive profit for the period	136.1	169.2	147.2	86.4

*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

In the Report Year, the amount of approx. $58.1 million was received by the Company from the exercise of the Company's Series 2 Warrants. This amount was used by the Company to fund its current operations.

On 31 March 2024, the amount of approx. $140 million (gross) was received by the Company from the offering of shares and Series 3 Warrants, according to the shelf offering report (Ref.: 2024-01-036387). For additional details regarding such offering, see Note 18 to the Company’s Financial Statements. This amount was used by the Company to finance its ongoing operations and is also used for executing its strategic plan and repaying part of the shareholder loan. For additional details about the repayment of the shareholder loan, see the immediate report of 10 April 2024 (Ref: 2024-01-036190).

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. Starting from March 2025 until Shortly Before Approval of the Report, the Company received approx. $4.9 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 2024	Loans to investees as of 31 December 2024
Sun d'Or International Airlines Ltd. ("Sundor")	Ordinary, of ILS 0.001	5,000	ILS 5	ILS 5	100	95.1	95.1	-
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	29.6	29.6	-
Borenstein Caterers Inc. ("Borenstein")	Ordinary (no par value)	90	-	-	100	18.2	18.2	-
Cockpit Innovation Ltd. ("Cockpit")[2]	Ordinary, of ILS 0.01	10,000	ILS 100	ILS 100	80.9	4.0	4.0	-
ELAL Israel Airlines Gulf FZCO	Ordinary shares				100	-	-	-
Air Consolidators Israel Ltd. ("ACI")[3]	Founding, of ILS 0.01		ILS 1.1		50	-	-	-
	Ordinary, of ILS 0.1	-	ILS 11					
	Ordinary B, of ILS 0.1	110	ILS 11	ILS 11				
	Ordinary C, of ILS 1	-	ILS 10	-				

[1] Superstar is under dissolution proceedings.

[2] Approx. 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 partnership owned by Boeing and Gate Gourmet hold 8.9% and 10.2%, respectively.

[3] 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.

El Al Frequent Flyer Ltd. ("FF Company")[4]	Ordinary, of ILS 0.01	80,100	ILS 1,000	ILS 801		(119.6)	(119.6)

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 the chapter on "Standalone Financial Information".

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 profit (loss) for the year	Total comprehensive profit	Received dividend	Dividend received after the date of the statement of financial position	Received interest	Received management fees	Management fees received after the date of the statement of financial position
Sundor	59.0	-	59.0			-	-	
Superstar	-	-	-	-	-	-	-	
Borenstein	1.5	-	1.5	-	-	-	0.1	
TAMAM	0.8	0.1	0.9			-	-	
Katit	-	-	-			-	-	
Cockpit	(0.6)	-	(0.6)			-	-	
El Al Frequent Flyer Ltd.*	13.4	-	13.4	-	-	8.9	-	
ELAL Israel Airlines Gulf FZCO	(0.3)	-	(0.3)					
Air Consolidators Israel	0.5	-	0.5					

* The profit and loss for El Al Frequent Flyer Ltd. includes amortization of intangible assets.

Regulation 20: Trade on the stock exchange

Below are details on trading halts that occurred in the Company's securities in 2023:

In the report period, there were no trading halts. For additional details on the securities issued by the Company in the Report Year, see Regulation 10C above.

[4] As of Shortly Before Approval of the Report, the Company holds 80.1% of the shares of El Al Frequent Flyer Ltd. and Phoenix Insurance Company Ltd. holds 19.9% therein. For additional details, see Note 19 to the Financial Statements.

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 2024	Share-based payment (***)	Total as recognized for 2024 (ILS)
Dina Ben Tal Ganancia, CEO	100%	-	2,296,950	3,600,000 **(**)**	580,806	**6,477,756**
Amikam Ben Zvi, Chairman of the Board	90%	-	2,055,964	2,869,841(**)	460,639	**5,386,444**
Ronen Galperin, CEO of subsidiary	100%	-	1,853,941	1,957,000 **(**)**	240,333	**4,051,274**
Captain Hovav Ben David VP Flight Operations	100%	-	1,715,353	1,039,723 **(**)**	659,846	**3,414,922**
Yarom Vadish Senior VP Sales & Tourism	100%	-	1,869,166	937,577 **(**)**	467,441	**3,274,184**

(*) 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 officers' salary is linked to the consumer price index and updated once per year.

(**) The figure presented in the table includes, *inter alia*, amounts paid in 2024 for 2023, for which no provision was made in 2023 (in accordance with the long-term deferred compensation policy that was included in the Company's compensation policy as of 2023). Below is a specification of the said amounts: Ms. Dina Ganancia Ben Tal – the amount of ILS 600,000; Mr. Amikam Ben Zvi – the amount of ILS 439,841; Mr. Ronen Galperin – the amount of ILS 102,000; Mr. Hovav Ben David – the amount of ILS 106,723; Mr. Yoram Vadish – the amount of ILS 100,577.

(***) 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.

Ms. Dina Ben Tal Ganancia holds office as the Company's CEO since 19 May 2022. Mr. Amikam Ben Zvi holds office as the Company's Chairman since 5 October 2021. In addition to the said amount in the table above, the CEO and Chairman of the Board are expected to receive a special bonus for 2024, totaling 4 months' salary, in accordance with the approval of the Company's shareholders meeting of 6 January 2025. The number of options allocated to Mr. Ben Zvi, which he holds as of Shortly Before Approval of the Report, is 1,150,000. Furthermore, the number of options allocated to Ms. Ben Tal Ganancia, which she holds as of Shortly Before Approval of the Report, is 1,395,074. For additional details regarding the terms of office and employment of the Company's CEO and Chairman of the Board, including stock-based compensation, see Regulation 29(c) below, Note 18 and Note 21 to the Company's Financial Statements.

Mr. Ronen Galperin holds office as CEO of the subsidiary "El Al Frequent Flyer Ltd." since 24 February 2022. The cost of the salary of Mr. Ronen Galperin includes, *inter alia*, a 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). In addition, the amount of options allotted to Mr. Galperin and which he holds, as of Shortly Before Approval of the Report, is 200,001. For additional details regarding share-based payment, see Note 18 to the Financial Statements.

Captain Hovav Ben David holds office as VP Flight Operations since 15 May 2022. The amount of options and restricted stock allotted to Captain Hovav Ben David and which he holds, as of Shortly Before Approval of the Report, is 898,2668 and 181,576, respectively. For additional details regarding share-based payment, see Note 18 to the Financial Statements.

Mr. Yarom Vadish holds office as VP Sales & Tourism since 1 August 2022. The cost of the salary of Mr. Yarom Vadish includes, *inter alia*, a provision for a one-time supplementation for a severance pay fund (spread out over two years) for the period of his employment with the Company according to his last salary, and additional retirement compensation (second compensation) at the rate of one month per year for the period of his employment according to the last salary. It is clarified that officers who joined the Company after 2011, are not entitled to additional compensation, as aforesaid.

Additional conditions for deputy chairmen of the board

For details on the terms of office and employment of the deputy chairmen of the board, see Regulation 29(c) below and Note 21 to the Financial Statements.

Senior officers' compensation policy

For details on the Company's senior officers' compensation policy, as approved by the Company's shareholders' meeting on 18 October 2022, see 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 Company's shareholders meeting approved, *inter alia*, specific amendments to the Company's current compensation policy (without changing the extension of validity of the Company's current compensation policy). (Ref., respectively: 2024-01-026055, 2025-01-006802). For additional details on the special general meetings of the Company's shareholders for approval of the specific amendments to the said compensation policy, see Regulation 29(c) below.

Directors' remuneration

Total remuneration and related expenses received by the directors of the Company (other than chairman of the board, Mr. Amikam Ben Zvi, and deputy chairmen of the board, Mr. Kenneth Neal Rozenberg and Mr. Daryl Hagler) amounted, in 2024, to approx. ILS 0.9 million (excluding the tax applicable to the directors).

Total remuneration and related expenses received by the deputy chairmen of the board, Mr. Kenneth Neal Rozenberg and Mr. Daryl Hagler, amounted, in 2024, to approx. ILS 1.34 million.

For details on the total remuneration and related expenses received by chairman of the board, Mr. Amikam Ben Zvi, see the table above.

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 18 May 2021, consent was received from the holder of the special State share to Messrs. Kenneth Neal Rozenberg and Eli Zechariah Rozenberg (the "**Permit Holders**") purchasing and holding, through Kanfei Nesharim, shares of the Company, including at the rate conferring on them, or on one of them, and on Kanfei Nesharim, control of the Company. Such consent is in lieu of the consent given by the holder of the special State share to Mr. Eli Zechariah Rozenberg on 1 October 2020.

Regulation 22: Transactions with a control holder

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 7 January 2025 (Ref.: 2025-01-002517). 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 2025, 19 January 2025, 26 January 2025 and 27 January 2025 (Ref.: 2025-01-003272, 2025-01-005044, 2025-01-006606 and 2025-01-006869).

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:	495,960,612
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:	88,803,851
Number of securities:	1205467

Class:	El Al OP 11/22 (Options for employees)
Issued capital:	18,348,723
Number of securities:	1191014

*On 2 February 2025, El Al OP 2 have 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 10 March 2025 (Ref.: 2025-01-015667).

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. Date of birth Citizenship	**Address for service of process**	**Independent director/outside director Board committee membership**	**Is he 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 the corporations of which he holds office as a director**	**Is he 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	Finance and Budget Committee (Chairman), Security Committee (Chairman) Executive Committee (Chairman), Risk Management Committee, Safety Committee	Holds office as Chairman of the Board of TAMAM and as a director of the FF Company	20 October 2020	Academic education: BA in Economics and Accounting, Bar Ilan University Business experience in the past five years: CEO of M.B.C. Entrepreneurship and Investments Ltd. Director of the following companies:	No	Accounting and financial expertise

Name ID no. Date of birth Citizenship	**Address for service of process**	**Independent director/outside director Board committee membership**	**Is he 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 the corporations of which he holds office as a director**	**Is he a family member of another interested party of the Company**	**Has accounting and financial expertise or professional qualifications**
					Yahalom B.C. Ltd.		
Kenneth Neal Rozenberg Vice Chairman of the Company's Board 346399892 20 September 1966 Israeli	1 Hunters Run, Suffern, NY	Finance and Budget Committee, Executive Committee	Holds office as a director in the FF Company	20 May 2021	Academic education: M.P.H., Columbia University; B.A., Yeshiva University Business experience in the past five years: CEO of Centers Health Care Director of the following companies: 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 and Budget Committee, Finance Committee, Executive Committee	Holds office as a director in the FF Company	26 May 2021	Academic education: Accountant. B.A., Queens College. Business experience in the past five years: 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 (Chairman), Security Committee	No	20 October 2020	Academic education: LL.B, Sha'arei Mishpat College Business experience in the past five years: Pilot and Captain, and an appointed flight examiner of the Civil Aviation	No	Professional qualifications

Name ID no. Date of birth Citizenship	Address for service of process	Independent director/outside director Board committee membership	Is he 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 the corporations of which he holds office as a director	Is he a family member of another interested party of the Company	Has accounting and financial expertise or professional qualifications
					Authority of Israel (CAAI). CEO of Reut Airways Ltd. (since 2006).		
Jason Greenblatt **A36828602** **30 March 1967** **USA**	533 Winthrop Rd. Teaneck N.J 07666	Finance and Budget Committee, Risk Management Committee	No	20 October 2020	<u>Academic education</u>: 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, Finance and Budget Committee	No	17 November 2020	<u>Academic education</u>: 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
Dr. Amnon Schreiber **Independent Director** **032412397** **7 August 1975** **Israeli**	6 Eliezer Hagadol, Jerusalem	Risk Management Committee (Chairman), Audit and Compensation Committee, Finance Committee	No	24 November 2020	<u>Academic education</u>: PhD in Economics, Hebrew University, Jerusalem. MA in Economics,	No	Accounting and financial expertise

Name ID no. Date of birth Citizenship	Address for service of process	Independent director/outside director Board committee membership	Is he 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 the corporations of which he holds office as a director	Is he a family member of another interested party of the Company	Has accounting and financial expertise or professional qualifications
					Hebrew University, Jerusalem. BA in Mathematics, Hebrew University, Jerusalem. <u>Business experience in the past five years</u>: Member of Faculty, Department of Economics, Bar Ilan University (since 2013).		
Yaacov Sheinenzon **022249734** **4 February 1966** **Israeli**	4 Yagnes, Petah Tikva	Risk Management Committee, Safety Committee and Finance and Budget 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
Zvia Lipshitz Goldfarb **Outside Director**	5 Halamish, Shoham	Finance Committee (Chairwoman), Audit and Compensatio	No	3 August 2023 (first term of office)	<u>Academic education</u>: Accountant. BA in Economics	No	Accounting and financial expertise

Name ID no. Date of birth Citizenship	Address for service of process	Independent director/outside director Board committee membership	Is he 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 the corporations of which he holds office as a director	Is he a family member of another interested party of the Company	Has accounting and financial expertise or professional qualifications
015376841 **11 December 1962** **Israeli**		n Committee (Chairwoman)			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. Business experience in the past five years: Internal auditor and responsible for bookkeeping and preparation of financial statements, Si-Ko Investments Ltd. and the subsidiaries.		
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)	Academic education: Rabbinical consent; Certified in Talmud, Bar-Ilan University Business experience in the past five years: Board Member, Hemdat HaDarom Academic College of Education (R.A.).	No	Accounting and financial expertise
Iris Cibulski Havilio **Outside Director**	7 Bareket, Modi'in-Maccabim-Reut	Audit and Compensation Committee, Finance Committee	No	13 March 2024 (first term of office)	Academic education: B.A., law and economics,	No	Accounting and financial expertise

Name ID no. Date of birth Citizenship	Address for service of process	Independent director/outside director Board committee membership	Is he 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 the corporations of which he holds office as a director	Is he a family member of another interested party of the Company	Has accounting and financial expertise or professional qualifications
022132633 **16 December 1965** **Israeli**		and Risk Management Committee			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 2011). Outside Director at: Universal Motors Ltd. and Ram On (Investments) Ltd.		
Yifat Samet Shalit **Outside Director** **037582319** **12 August 1975** **Israeli**	9A Aluf Michael Ben Gal, Tel Aviv	Audit and Compensation Committee, Finance Committee, Safety Committee and Security Committee	No	1 November 2024 (first term of office)	<u>Academic education</u>: LL.B., The Academic College of Law and Science <u>Business experience in the past five years</u>: VP and General Counsel, Discount Capital Ltd., 2016-2024.	No	Accounting and financial expertise

Name ID no. Date of birth Citizenship	Address for service of process	Independent director/outside director Board committee membership	Is he 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 the corporations of which he holds office as a director	Is he a family member of another interested party of the Company	Has accounting and financial expertise or professional qualifications
					Independent director at the public company: Duniec Bros. Ltd.		

Directors who stepped down by Shortly Before Approval of the Report:

Mr. Eyal Haimovsky

ID 027425800

Position in the Company: outside director

Office commencement date: 18 February 2015

Office termination date: 18 February 2024

Mr. Isaac Zinger

ID 003833993

Position in the Company: outside director

Office commencement date: 28 January 2021

Office termination date: 28 January 2024

Regulation 26A: Senior officers of the corporation as of Shortly Before Approval of the Report

Name ID no. Date of birth	Position	Office commencement 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
Dina Ben Tal Ganancia **031886500** **30 September 1974**	CEO	19 May 2022	Holds office as a director in the FF Company	No	Education: BA in Economics and Business Administration, Hebrew University, Jerusalem, and MBA, Tel Aviv University.

Name ID no. Date of birth	Position	Office commencement 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
					Business experience in the past five years: Serves as CEO of the Company since May 2022; VP Commercial and Industry Affairs in El Al (2021-2022); Director of Revenue Management in the Department of Commercial and Industry Affairs in El Al (2014-2021).
Yacov (Yancale) Shahar **012363867** **21 November 1962**	CFO	24 April 2023	No	No	Education: BA in Mathematics and Economics, Hebrew University, Jerusalem. Business experience in the past five years: VP Finance of the Company since April 2023; acted as Company Treasurer from 2006 until 2023.
Shlomo Karako **055548135** **22 October 1958**	VP Maintenance and Engineering	2 May 2021	No	No	Education: BSc in Mechanical Engineering, Ben Gurion University; MBA, Tel Aviv University. Business experience in the past five years: VP Maintenance and Engineering in the Company since May 2021; held office as a VP in IAI, Head of Business Jets Division.
Oren Cohen Butansky **025282773**	EVP, VP Customers & Service	1 March 2021	No	No	Education: BA in Psychology, Open University, BA in Social Sciences –

Name ID no. Date of birth	Position	Office commencement 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
30 May 1973					Economics and Political Science, Bar Ilan University; MBA, Center for Academic Studies in Israel (Derby College). Business experience in the past five years: VP Customers and Service of the Company since March 2021; Head of Direct Banking and Customer Experience at Poalim Bank (2016-2021).
Omry Cohen* **034732594** **25 March 1986**	Deputy CEO, COO	1 May 2021	Holds office as Chairman of the Board of the FF Company, and holds office as a director in Borenstein and Sundor, TAMAM and El Al Frequent Flyer Ltd.	No	Education: MBA, Queens College. Business experience in the past five years: COO of the Company since May 2021; COO of Centers Plan for Healthy Living.
Shlomo Nathan Zafrany **037046851** **22 September 1985**	VP Commerce and Industry Affairs	1 September 2022	No	No	Education: MBA, College of Management. Business experience in the past five years: 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.
Yarom Yosef Vadish	EVP, VP Sales & Tourism	1 August 2022	Holds office as Chairman of the Board of Sundor	No	Education: BA in Tourism, Derby University

Name ID no. Date of birth	Position	Office commencement 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
059139329 **8 November 1964**					<u>Business experience in the past five years</u>: VP Sales and Tourism of the Company since August 2022; served as Head of the Company's Israel Branch 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 Zayit Brownstone **025519844** **20 January 1974**	VP, General Counsel	123 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 Trade Division of the Company between 2021-2022, and as Head of Legal Affairs of the Company between 2018-2021.
Limor Bouzaglu **027881796** **26 October 1970**	VP Human Resources	1 June 2022	No	No	<u>Education</u>: BA in Middle Eastern Studies and MA in Public Administration,

Name ID no. Date of birth	Position	Office commencement 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
					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 **032756298** **28 February 1978**	VP Marketing, Digital and Communication	17 July 2022	No	No	<u>Education</u>: BA in Economics and Business Administration, Haifa University, 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 in Hot Ltd. between 2019 until July 2022.
Dr. Ronen Yochpaz **0254770162** **17 July 1973**	VP Information Technologies	30 June 2023	Chairman of the Board of Cockpit	No	<u>Education</u>: BA in Computer Science and Psychology, Bar Ilan University; MBA, Bar Ilan University; PhD in Information Systems, Bar Ilan University. <u>Business experience in the past five years</u>: VP Information Technologies of the Company since June 2023;

Name ID no. Date of birth	Position	Office commencement 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
					Head of Development of Information Systems, Poalim Bank, between 2018-2023.
Ronen Galperin **31874175** **5 November 1974**	CEO of the subsidiary – El Al Frequent Flyer Ltd.	24 February 2022	No	No	Education: BA in Business Administration, Tel Aviv College, MBA, Hebrew University, Jerusalem. Business experience in the past five years: CEO of El Al Frequent Flyer Ltd. since February 2022; served as VP Marketing, Commerce, Business Development and Real Estate of Delek Israel Group between 2019-2021.
Moshe Cohen **051209971** **3 April 1952**	Company auditor	1 August 2021	Internal auditor of the Company's subsidiaries	No	Education: Accountant, BA in Economics and Accounting, Tel Aviv University. Business experience in the past five years: Managing Partner – Chaikin, Cohen, Rubin & Co. Serves as an internal auditor in various public and private companies.

*Mr. Omri Cohen, Deputy CEO and COO, is expected to step down as an officer of the Company on 20 April 2025. In this context, changes are expected to the Company's organizational structure.

Regulations 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

On 19 September 2024, the annual and special general meeting of the Company's shareholders approved the amendment to the Company's articles of association and memorandum on the following issues:

(1) update of the Company's authorized capital; (2) amendment with respect to the delivery of original proof of ownership; (3) amendment to the Company's objectives clause in the Company's memorandum. For additional details, see the notice of meeting report released by the Company on 15 August 2024 (Ref.: 2024-01-087811), and the immediate report on the results of the meeting released by the Company on 19 September 2024 (Ref.: 2024-01-604539), and the immediate report regarding changes to the Company's articles of association and memorandum, released by the Company on 19 September 2024 (Ref.: 2024-01-604550).

Regulation 29(a): Directors' recommendations and resolutions;

and (b)

On 14 August 2024, the Company's board of directors decided to convene an annual and special general meeting, the agenda of which shall include, *inter alia*, the amendment of the Company's articles of association and memorandum. For additional details, see Regulation 28 above. 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 13 March 2024, the special general meeting of the Company's shareholders approved the following issues: (1) reappointment of Rabbi Yitzhak Levy as an outside director of the Company for an additional three-year term of office (second term), effective from the meeting approval date; (2) appointment of Adv. Iris Cibulski Havilio as an outside director of the Company for a (first) three-year term of office, effective from the meeting approval date; (3) approval of amendments to the Company's current compensation policy. For additional details, see the notice of meeting report released by the Company on 7 February 2024 (Ref.: 2024-01-014385), and the report on the results of the meeting released by the Company on 13 March 2024 (Ref.: 2024-01-026055). See also the immediate reports regarding the appointments of Rabbi Yitzhak Levy and Adv. Iris Cibulski Havilio as outside directors of the Company released by the Company on 13 March 2024 respectively (Ref.: 2024-01-026049 and 2024-01-026052, respectively).

(b) On 30 May 2024, the special general meeting of the Company's shareholders approved the following issues: (1) granting of a letter of indemnity to Mr. Kenneth Neal Rozenberg who serves as the Company's deputy Chairman of the Board, for a period of three years starting from 20 May 2024; (2) granting of a letter of indemnity to Mr. Daryl Hagler who serves as the Company's deputy Chairman of the Board, for a period of three years starting from 26 May 2024. For additional details, see notice of meeting report released by the Company on 25 April 2024 (Ref.: 2024-01-040987), and report on meeting results released by the Company on 30 May 2024 (Ref.: 2024-01-055225).

(c) On 19 September 2024, the annual and special general meeting of the Company's shareholders approved the following issues: (1) deliberation of the Company's periodic report for the year ended 31 December 2023; (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, Dr. Amnon Schreiber (Independent Director),Gavriel Maimon (Independent Director) and Yaacov Sheinenzon; (4) appointment of Adv. Yifat Samet Shalit as an outside director of the Company (first term of office) for a period of 3 years, effective from 1 November 2024; (5) amendment of the Company's articles of association and memorandum. For additional details, see the notice of meeting report released by the Company on 15 August 2024 (Ref.: 2024-01-087811) and report on meeting results released by the Company on 19 September 2024 (Ref.: 2024-01-604539). In addition, see immediate report released by the Company regarding the appointment of Adv. Yifat Samet Shalit as an outside director of the Company, on 19 September 2024 (Ref.: 2024-01-604545). For additional details regarding the change of the Company's articles of association and memorandum, see Regulation 28 above.

(d) On 26 January 2025, the annual and special general meeting of the Company's shareholders approved the following issues: (1) approval of the update of the terms of office and employment of the Company's CEO, in accordance with the terms and conditions specified in the notice of meeting report; (2) approval of the update of the terms of office and employment of the Company's Chairman of the Board, in accordance with the terms and conditions specified in the notice of meeting report; (3) approval of specific amendments to the Company's current compensation policy, with no change to the validity of the Company's current compensation policy. For additional details, see the notice of meeting report released by the Company on 15 January 2025 (Ref.: 2025-01-004610), the report on meeting results released by the Company on 26 January 2025 (Ref.: 2025-01-006802) and Note 21 to the Financial Statements.

Regulation 29A: The Company's resolutions

On 22 July 2024 and 25 July 2024, 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 August 2024 until 31 January 2026, 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 28 July 2024 (Ref.: 2024-01-079351), and Note 21 to the Financial Statements.

Date: 11 March 2025

Amikam Ben Zvi	**Dina Ganancia Ben Tal**
Chairman of the Board	**CEO**

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): Director A: **Eyal Haimovsky** Director B: **CPA Isaac Zinger** Director C: **Yitzhak Levy** Director D: **CPA Zvia Lipshitz Goldfarb** Director E: **Adv. Iris Cibulski Havilio** Director F: **Adv. Yifat Samet Shalit** Number of outside directors holding office in the corporation as of the date of release of this questionnaire: **4. In this context, see note at the end of the questionnaire.**	✓	
2.	The rate[5] of independent directors[6] holding office in the corporation as of the date of release of this questionnaire: **6/12** The rate of independent directors determined in the articles of association[7] of the corporation[8]: **no provision set in the articles of association**.	—	—
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	✓	

[5] In this questionnaire, "**rate**" – a specific number out of the total. For example 3/8.
[6] Including "outside directors" as defined in the Companies Law.
[7] 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).
[8] A bond company is not required to answer this section.

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	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.	
4.	All of the directors who held office in the corporation during the report year do not, directly or indirectly, report[9] 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.	The controlling shareholder (including his relative and/or anyone on his 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 his relative and/or anyone on his 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 his attendance[10] 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).	✓

[9] 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.
[10] While separating the controlling shareholder, his relative and/or another on his 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[11] 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, *inter alia*, 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:☒ Yes No **In this context, see note at the end of the questionnaire.**	✓	
9.	a.	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>**.	✓	
	b.	Number of directors holding office in the corporation during the report year - Having accounting and financial expertise[12]: **<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.		

[11] A bond company is not required to answer this section.

[12] 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.

			Correct	Incorrect
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: 9, Women: 3.	_____	_____

Board Meetings (and convening general meetings)

			Correct	Incorrect
11.	a.	Number of board meetings held during each quarter in the report year: **Q1 (2024): 6.** **Q2: 3.** **Q3: 4.** **Q4: 8.** **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 his 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	21/21	-			10/13

Kenneth Neal Rozenberg	18/21	-	-	5/6
Daryl Hagler	17/21	-	3/5	5/6
Eyal Haimovsky	3/3	3/3		
Mordechai (Moti) Engelman	20/21	-	-	4/4
Jason Greenblatt	20/21			5/6
Gavriel Maimon	21/21	19/21	5/5	3/3
Dr. Amnon Schreiber	20/21	21/21	5/5	3/3
Isaac Zinger	1/1	1/1		
Rabbi Yitzhak Levy	18/19	15/19		4/7
Zvia Lipshitz Goldfarb	21/21	21/21	5/5	-
Yaacov Sheinenzon	21/21			7/7
Iris Cibulski Havilio	16/17	18/18	3/3	1/1
Yifat Samet Shalit	5/5	5/5	1/1	1/1

12.	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 him, 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: ______.	✓	

		Correct	Incorrect
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 his powers, the dual office was approved in accordance with Section 121(c) of the Companies Law[13]. □ 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	_____	_____
17.	A controlling shareholder or his 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).	✓	

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 his 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 him.	✓	
	d. A director who regularly provides services to the corporation or to the controlling shareholder of the corporation or a corporation controlled by him.	✓	
	e. A director whose primary livelihood depends on the controlling shareholder.	✓	
19.	No one who is not entitled to be a member of the audit committee, including a controlling shareholder or his relative, was present, in the report year, in the audit committee meetings, other than pursuant to the provisions of Section 115 (e)	✓	

[13] In a bond company – an approval pursuant to Section 121(d) of the Companies Law.

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 his 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: **2**.	______	______
	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: **2 days**. Q2 statement: **2 days**. Q3 statement: **2 days**. Annual statement: **2 days**.	______	______
	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	✓	

			Correct	Incorrect
		corporation referring to periods included in the report year were deliberated. If your answer is "Incorrect", state the rate of his 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

With regard to this chapter, see note at the end of the questionnaire

		Correct	Incorrect
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. The controlling shareholder or his 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 him	✓	
	d. A director who regularly provides services to the corporation or to the controlling shareholder of the corporation or a corporation controlled by him.	✓	
	e. 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 2024, a variety of issues were examined, primarily**: Data protection, GDPR, directors' remuneration, activity of the subsidiary Bornstein, integrity and adequacy of charges in cargo, the Company's internal enforcement plan on securities law and corporate law, U.S. representative office, Athens station, subcontractors and manpower in information systems, DRP, utilization and depreciation of food and equipment, workplace safety in the maintenance division, baggage service center management, engagement with Lufthansa, internal fraud and fraud prevention survey, implementation of salary agreements, salary audit at TAMAM, officers' salary, customer service center, workshops, pension clearinghouse, building construction and maintenance, and others. Against the backdrop of Iron Swords war, adjustments were made to the 2024 work plan of the internal audit.	✓	
35.	Scope of employment of the internal auditor in the corporation in the report year[14]: 11,000 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.	✓	

[14] 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 his 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 his 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): 0. – 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. 1: Mr. Isaac Zinger stepped down from office as outside director in the Company (first term of office) on 28 January 2024. In addition, Mr. Eyal Haimovsky stepped down from office as an outside director of the Company (third term of office) on 18 February 2024. In the Report Year, two outside directors did not serve in the Company for a period of 24 days.

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 compliance, enforcement, and cyber week to raise awareness among employees, executives, and directors on topics such as internal enforcement in securities and corporate law, privacy protection, and cyber and information security. As part of this initiative, lectures were delivered by external speakers from various fields.

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 13 March 2024, the meeting of the Company's shareholders appointed Rabbi Yitzhak Levy, as an outside director of the Company (second term of office) and. Adv. Iris Cibulski Havilio, as an outside director of the Company (first term of office) effective from the meeting approval date, as aforesaid. Rabbi Levy ended his first term of office as an outside director of the Company on 28 January 2024. In addition, on 19 September 2024, the Company's shareholders meeting appointed Adv. Yifat Samet Shalit as an outside director of the Company (first term of office), effective from 1 November 2024. For details on the end of the term of office of Messrs. Isaac Zinger and Eyal Haimovsky, see Notes to Question No. 1.

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 Committee, Ms. Zvia Lipshitz Goldfarb: __________

Date of signing: 11 March 2025.

Chapter F

Annual Report on the Effectiveness of Internal Control over Financial 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 Section 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:

- Dina Ben Tal Ganancia, Chief Executive Officer.
- Omry Cohen, Deputy CEO, Chief Operating Officer.
- Yarom Yossef Vadish, EVP, VP Sales & Tourism.
- Oren Cohen Botansky, EVP, VP Customers & Service.
- Yacov (Yancale) Shahar, Chief Financial Officer.
- Sharon Brownstone Zait, VP, General Counsel.
- Limor Bouzaglo, VP Human Resources.
- Shlomo Karako, VP Maintenance & Engineering.
- Hovav Ben David, VP Operations.
- Nadav Hanin, VP Marketing & Digital.
- Shlomo Natan Zafrany, VP Commercial & Industrial Affairs.
- Ronen Yochpaz, VP Information Systems.

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, 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 which 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; (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 2024 is effective.

(a) Statement by the Chief Executive Officer under Section 9B(d)(1) of the Regulations:

Executive Statement
Statement by the Chief Executive Officer

I, Dina Ben Tal Ganancia, do hereby state that:

1. I have reviewed the periodic report of El Al Israel Airlines Ltd. (the "Corporation") for 2024 (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 of directors 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.

11 March 2025

____
Dina Ben Tal Ganancia, CEO

(B) STATEMENT BY THE MOST SENIOR FINANCIAL OFFICER UNDER SECTION 9B(D)(2) OF THE REGULATIONS:

Executive Statement
Statement by the Most Senior Financial Officer

I, Yacov (Yancale) Shahar, 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 2024 (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 of directors, 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.

11 March 2025

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Yacov (Yancale) Shahar, CFO