Unaudited Financial Statements as of 31 March 2026

El Al Israel Airlines Ltd.

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THE GROUP'S OPERATIONS

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

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

The business environment in which the Group operates is international and civil aviation and tourism to and from Israel, which is characterized by intense competition and considerable sensitivity to economic, political and security developments in Israel and worldwide. Further to the introduction to the Board of Directors' Report on the State of the Corporation's Business attached to the 2025 periodic report (the "**Annual Board of Directors' Report**"), the beginning of 2026 featured a continued trend of recovery in passenger traffic at Ben Gurion Airport (BGA) along with an increase in the operations of foreign airlines, although such operations have yet to fully return to their normal levels, as specified in Section A.2.1. below.

Against this backdrop, in January-February 2026, which typically demonstrate lower demand levels relative to peak seasons in the aviation industry, traffic and competition were noticeably increased compared with the same period last year. Still, the Company maintained high load factors compared with normal levels for this season, although load factors were lower than their unusually elevated levels during the same months last year.

28 February 2026 saw the launch of Operation Roaring Lion (the "**Operation**"), which led to the closure of Israel's airspace. As a result of the airspace closure, the Group suspended its regular flights immediately, and several days thereafter, in accordance with the instructions of the competent authorities, started operating designated rescue flights transporting the Company's passengers back to and from Israel, as well as operating flights within a limited emergency framework under material restrictions, including limitations on the number of passengers permitted on some flights. The Company also carried out additional commercial and operational activities, all as specified below under the 'Operation Roaring Lion' section.

At the same time, the Group continues to constantly develop its production capacity and expand the aircraft fleet available thereto and also continues to train the workforce required for this purpose, including the recruitment and training of aircrews and ground crews, even throughout the Operation. Due to the fact that the Group's available liquid resources immediately before the Operation totaled approx. USD 2 billion, it managed to keep implementing its strategic and business plans, including the continued procurement of aircraft, the signing of an agreement with employee committees, and the signing of an agreement with Isracard Ltd. ("**Isracard**") for the operation of Fly Card credit cards. For further details, see 'The Company's Long-Term Strategic Plan' section below.

For the impact of the Operation on the Group's financial results in Q1/2026 and for the Company's estimation regarding the impact of the Operation on the continued financial results in the remainder of 2026, including the Company's management's forecast that it will accomplish its business goals for this year, see the 'Operation Roaring Lion' section below.

Operation Roaring Lion

As noted above, the Operation was launched on 28 February 2026, and that very same day, in accordance with the instructions of the competent authorities of the State, the airspace of Israel was closed and civil flight operations at BGA were suspended. As a result, the Group's regular flight operations were suspended immediately, and the Company operated under an emergency framework until the gradual resumption of flight operations and, eventually, the lifting of airspace restrictions.

For 40 days, until 9 April 2026, BGA was closed for regular flight operations, which closure led to a severe disruption to civil flight operations, including the cancellation of commercial flights to and from Israel. The Operation highlighted once again the importance of Israeli airlines, which maintained the bridge to and from Israel throughout the Operation. Several days after the Operation was launched, and in accordance with the changing operation frameworks as determined by the competent authorities, the Group started operating, in a limited and restricted manner, several flights to and from Israel, including limitations on the number of flight passengers.

The impact of the Operation on Israel's aviation industry was extensive and included a significant decrease in passenger traffic, slowdown in the demand for international flights, and temporary suspension of the full resumption of foreign airlines' operations in Israel. Before the launch of the Operation, the trend observed was one of stabilization and continued recovery in the operations of foreign airlines in Israel from the security disruptions that characterized 2025; however, the launch of the Operation changed this trend. For details regarding the effects of the Operation on the global business environment, see Section A.2.1. below.

During the period subsequent to the report date, on 9 April 2026, upon the lifting of restrictions on flight operations and the opening of Israel's airspace, the Company began to resume its flight operations gradually, in consideration of security and operational restrictions, until operations were fully resumed at the beginning of May 2026.

Commercial and operational activities

Immediately upon the launch of the Operation and closure of the airspace, all flights planned to land in Israel and flights that were headed to BGA were diverted to alternative destinations or returned to their point of departure. Outbound flights from Israel were also cancelled. In addition, immediately upon the launch of the Operation, the Company acted to relocate most of its aircraft from Israel to various locations around the world, aiming to reduce the risk of damage to its fleet.

Following the aforesaid suspension of regular operations, and in order to assist the Group's customers, the Company operated a rescue flight framework, which was based on the automated allocation of customers to flights, with allocation priority determined by the date of the cancelled flight, while accounting for exceptional medical humanitarian cases. Furthermore, during the Operation, the Company also allowed non-customer passengers to buy flight tickets to inbound rescue flights based on availability.

Flexible commercial policy for the Company's customers

Further to the suspension of regular operations as described above, the Company published a flexible commercial policy for Group customers who had bought flight tickets prior to the Operation. In this context, the Company allowed for the receipt of a credit voucher for future use in accordance with the conditions determined by the Company and also allowed its customers to make changes in flight tickets without flight change fees (fare differences were charged in relevant cases). The Company adjusted its policy, from time to time, according to the changing security circumstances and in accordance with the instructions of the competent authorities of the State. In addition, the Company continues to implement, from time to time, a flexible commercial policy for special demographics, such as Israel's defense forces and reservists, both in flights to Israel and in cancellations or changes of preexisting bookings.

Furthermore, during the Operation, the Group implemented a disciplined pricing policy, setting low and fair rescue flight fares, driven by its commitment to bring passengers back home, and also extended the validity of premium status for Matmid Frequent Flyer Program (FFP) members whose status expired during or shortly after the Operation.

Risk management

As part of the Company's risk management program, and during the Operation, the Company prepared designated corporate heatmaps (ERM) for the days of the Operation, segmented by different time horizons and for recovery. Such heat maps were updated from time to time according to time horizons as the armed conflict persisted based on relevant risk identification broken down by the Company's risk areas, and, inter alia, operational, commercial, financial and security risks. The Company prepared a detailed mapping to identify the risks, including the rating of risks based on their expected impact on the Company, and established mitigation actions to reduce its exposure to such risks. The heat maps, including the mitigation actions, were presented to the Board's Risk Management Committee and to the Company's Board.

Culture and people

During the Operation, the Company's employees contributed significantly to the emergency operations, *inter alia* against the backdrop of the widespread call-up of Company employees for reserve duty. The service call centers experienced peak workloads, and the Company reinforced its telephone infrastructure with more than 1,000 additional service lines. In addition, some 300 employees were assigned to reinforce the designated situation room, which was operated around the clock to help passengers outside of Israel and coordinate rescue flights. Moreover, organizational routines were maintained even during the Operation, while stable labor relations were preserved.

Information security and cyber activities

During the Operation, an increase was recorded in the number of cyberattack attempts, which primarily focused on phishing methods, corporate and employee impersonation, and attempts to damage the Company's reputation. The Company operated under heightened protocols, which included continuous monitoring, strengthening defense systems, and reinforcing network and e-mail detection and filtering technologies, alongside refresher sessions on information security guidelines among Company employees and vendors to preserve the integrity of the Company's digital assets.

Aviation insurance policies

Upon the launch of the Operation, the Company received notice from various insurers participating in its aviation insurance regarding the imposition of flight restrictions in order to keep the aviation insurance in force, and some even charged a non-material addition to the amount of the insurance premium paid by the Company. However, throughout the Operation, all aviation insurance policies issued by the commercial insurance markets remained in full force and effect.

Impact of the Operation on the business results

As reported by the Company on 19 March 2026 (Ref. 2026-01-018815), in the Company's estimation, during the days when no flight operations were carried out at all, the resulting direct damage was approx. USD 4 million (before tax effect) per day.

During part of the duration of the Operation, the Company operated several flights on a varying operation scale in accordance with the limitations on the permitted number of passengers, such that the aforesaid direct damage decreased relative to the duration of the period. Furthermore, and as specified in Note 10 to the financial statements, further to Note 12(2) to the annual financial statements, addressing, among other things, a provision (revenue reduction) in respect of the indemnification of passengers in accordance with the Aviation Services Law (Compensation and Assistance Due to Flight Cancellations or Changes in Conditions), 5772-2012 (the "**Aviation Services Law**") in view of Operation Rising Lion in June 2025, the Group, following the current operation (Roaring Lion), made another provision (revenue reduction) for this purpose.

As noted above, the Operation lasted around 40 days and ended on 9 April 2026. On 10 April 2026, the Group began to gradually resume its flight operations until resumption of full operations at the beginning of May 2026.

In the Company's estimation, the impact of the Operation on the Group's profit (after tax), including the aforesaid provision (revenue reduction) for passenger indemnification, is estimated at approx. USD 145 million, approx. USD 90 million of which was reflected in the results of Q1/2026 and the remaining amount is expected to affect the results of Q2. Accordingly, were it not for the Operation, a profit of approx. USD 23 million was projected for Q1/2026.

In addition, for expected refunds to Group' customers and their projected impact on cash flow, see Note 10 to the financial statements.

Moreover, the global and regional geopolitical situation has led to a sharp rise in fuel prices, including jet fuel prices, as specified in Section A.2.1 below.

The Company estimates that, as a result of the Operation and subject to geopolitical developments, and considering the prevailing uncertainty regarding the security situation in Israel, BGA is expected to undergo a recovery process that will lead to increased demand for flights to and from Israel. However, the pace of return of foreign airlines is expected to be slower than the pace anticipated prior to the Operation. All of these factors are expected to generate increased demand for the Company's flights, which is expected to be reflected in high load factors in Q2/2026 and Q3/2026 compared to the Company's estimates prior to the Operation, and similar to the load factors in the corresponding quarters last year.

The Company estimates that the said high load factors, coupled with partial price adjustments to the increase in inputs and specifically jet fuel prices, are expected to lead to an increase of ~1%-4% in Revenue per Available Seat Kilometer (RASK) in Q2/2026 and Q3/2026, relative to the corresponding quarters last year.

Furthermore, and against the backdrop of the continued buildup of production capacity, the Company estimates that in Q2/2026 and Q3/2026, the capacity it offers (in terms of Available Seat Kilometers (ASK)) is expected to grow by ~6%–10% compared to the corresponding figure in the same quarters of 2025. In addition, among other things, the Group anticipates expanding its operations on its core routes, which is expected to contribute to operational efficiency and profitability. For details regarding the route network and new destinations, see 'Continued implementation of the Company's long-term business strategy' below.

For further details regarding the development of the competition and the expected continued recovery of operations at BGA during the remainder of 2026, see Section A.2.1. below.

In addition to the foregoing, in recent months and, *inter alia* in view of the geopolitical developments, the ILS has strengthened considerably against the USD, as specified in Section A.2.1. below. Appreciation of the ILS results in an increase in some of the Group's operating expenses, mainly payroll expenses, all as specified in Chapter B of this Report. Accordingly, and given the impact of the Operation as described above, the Group is taking measures to reduce operating expenses.

In the Company's estimation, the said increase in ASK and RASK, as well as the measures to reduce operating expenses, are expected to compensate for the adverse impact on profitability resulting from the effects of the Operation, rising fuel prices, and the appreciation of the ILS against the USD as detailed above.

It is emphasized that an escalation in the security situation in Israel in a manner that restricts the Group's flight operations may adversely affect the Company's forecasts as detailed above, the ASK, RASK, etc., and have a material adverse effect on the Group's business results.

The Company's forecasts for 2026 as detailed above, including its estimates regarding the recovery process at BGA, the increased demand for the Company's flights, the pace of return of foreign airlines, the anticipated load factors, the increase in operational efficiency and profitability, the growth in RASK, and the impact of all the measures on the Company's results, constitute forward-looking information as defined in the Securities Law, 5728-1968 (the "Securities Law"), based on data, assumptions, estimates, and forecasts, inter alia, based on the Company's experience as well as third-party data and forecasts, and are also largely dependent on third parties and their activities, as well as the occurrence of events beyond the Company's control. Any change in the aforesaid assumptions and forecasts, as well as the materialization of any of the risk factors relevant to the Company and its operations as specified in Section 8.16 of the Description of the Corporation's Business chapter of the Company's 2025 periodic report, may affect, and even materially affect, actual results.

Development of flight ticket sales

The table below presents flight ticket sales to the Group's passengers (ticketed bookings, regardless of flight date) in March 2025-May 2026 (forecast), as well as refunds issued in the same periods (USD in millions). It is emphasized that the figures below are not revenue figures.

	March 2025-May 2025	June 2025-Aug. 2025	Sept. 2025-Nov. 2025	Dec. 2025-Feb. 2026	March 2026-May 2026 (forecast)
Sales[1]	1,213	1,114	1,032	1,116	1,444
Vouchers issued	(51)	(99)	(51)	(46)	(117)
Cash refunds	(109)	(252)	(117)	(119)	(389)
Total refunds and vouchers issued	(160)	(351)	(168)	(165)	(506)
Sales, net of refunds	1,053	763	864	951	938
Percentage of sales for future periods[2]	60%	53%	51%	56%	50%

Despite the Operation, the volume of flight ticket sales in March 2026 through May 2026, as specified in the above table, is significantly higher than the sales volume (gross) in the same months last year, reflecting the rapid recovery of sales activity both immediately following and even during the Operation, as well as the high level of demand. Accordingly, in April 2026, the Group achieved peak monthly sales of approx. USD 560 million. It is further noted in this context that the average daily sales for the 30 days post-Passover totaled approx. USD 21.3 million, up 31% compared to the corresponding figures last year, as detailed in the table below. For details regarding customer refunds due to the Operation, see Note 10 to the financial statements.

	2026	2025	2024	2023
Average daily sales in the 30 days post-Passover (USD in millions)	21.3	16.3	14.1	7.9

Below is the development of the backlog (deferred revenue balance, excluding obligations for FFP points) for the month of April in 2023 to 2026 (USD in millions):

	April 2026	April 2025	April 2024	April 2023
Backlog	1,204	1,027	795	549

Further to the aforesaid, it is evident that the backlog in April 2026 is high relative to the same months in previous years, reflecting the volume of sales that are expected to be recognized as revenue in future periods.

It is emphasized that an escalation in the security situation in Israel in a manner that restricts the Group's flight operations may adversely affect the expected revenues attributed to the backlog as detailed above, in a manner that may have a material adverse effect on the Group's business results and its cash flow.

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

[1] The figures are forecasted sales figures, gross, including airport taxes attributed thereto, and including sales via vouchers, credits, and FFP points. The revenue from such sales will be recognized no earlier than the assigned flight date, if any. Some of the ticket sales may be modified by the customers, for example through cancellation or modification of the ticket.
[2] The percentage of future sales – the sales made in the reported period for flights operated after such period.

operations (as specified in Section 8.16 of the Description of the Corporation's Business chapter of the 2025 periodic report), may affect, and even materially affect, actual results.

Continued implementation of the Company's long-term business strategy

Expansion and upgrade of the aircraft fleet while enhancing the customer experience

Subsequent to the report date, as part of the implementation of the Company's procurement plan, and further to an agreement signed with Boeing in April 2024, under which the Company acquired three 787-9 Dreamliner aircraft and was granted options to acquire up to six additional aircraft of the same model, the Company signed an addendum to the said agreement, under which the Company exercised the options and converted four 787-9 Dreamliner aircraft to the larger 787-10 model. In addition, under the addendum, the Company was granted new options for the purchase of up to six additional Dreamliner aircraft.

The expansion of the aircraft fleet as described above is part of the Company's long-term strategic plan to build up production capacity, renew and grow its aircraft fleet, while improving profitability and enhancing the customer experience. The said initiative is thereby expected to increase the seat capacity, including in the premium cabins, in view of the expected increase in passenger traffic at BGA in the upcoming years. This move reflects the Company's commitment to continued investment in its future, while providing an advanced high-quality flight experience to all its customers. For further details, see Note 4.B. to the financial statements and an immediate report dated 16 April 2026 (Ref. 2026-01-035269).

Agreement for the issuance of Fly Card credit cards with Isracard

On 26 March 2026, the FF Company signed a strategic agreement with Isracard and Premium Express Ltd., under which Isracard shall issue Fly Card branded credit cards to FFP members. The term of the agreement is 10 years as of 1 April 2026. Such strategic agreement is expected to increase the FF Company's revenues from the Fly Card operations and, in this context, it is expected to positively affect the Group's business results, and accordingly, an additional positive contribution to the Group's profitability is expected, the annual average of which throughout the years of the agreement is estimated as ranging between approx. ILS 100 million and approx. ILS 130 million (pre-tax). This strategic agreement is expected to expand the FFP operations, improve and upgrade the experience of customers in Israel and worldwide, and increase the revenue from the operations throughout the term of the agreement. Fly Card is one of Israel's largest loyalty programs, with some 530 thousand cards and ~3.6 million FFP members. The said agreement is a key strategic move for the Group, expected to drive significant growth in the upcoming years, improve its profitability, and generate great value for its customers.

For further details, see Note 11 to the financial statements as well as an immediate report dated 26 March 2026 (Ref. 2026-01-027800).

Furthermore, for details regarding the termination of the agreement with Cal Israel Credit Cards Ltd. and Diners Club Ltd., see Note 11 to the financial statements.

Agreements with employee committees:

On 26 March 2026, the Company signed a special collective bargaining agreement with the organization-wide employee committee's representatives and the New General Federation of Labor (the *Histadrut*) as well as a special collective bargaining agreement with the Pilots Committee Federation. The aforesaid agreements are expected to make a significant contribution to the Company's continued growth and to the advancement and realization of its strategic goals, while maintaining the stability and labor peace required in an environment of prolonged uncertainty and a changing geopolitical reality. For further details, see the immediate report issued by the Company on 26 March 2026 (Ref. 2026-01-027997).

Opening of the Top Platinum passenger lounge:

In April 2026, following extensive renovation and significant upgrades, a premium passenger lounge was reopened for the Company's Top Platinum customers, as part of a broader initiative to enhance the service experience for the Company's premium customers. The aforesaid lounge has undergone a comprehensive refresh, including new seating areas, quite workspaces, spacious hospitality areas, and advanced infrastructure. The opening of this lounge will significantly enhance premium customers' experience, in line with the highest standards in the global aviation industry.

Transition to the new food production facility of the subsidiary TAMAM:

In the report period, construction of the innovative food production facility of the subsidiary TAMAM was completed. The new facility's production capacity substantially exceeds the production capacity of the current facility, thanks to the use of innovative technologies that allow for the precise management of food preparation processes while implementing meticulous quality controls. The Company estimates that the transition to the new production facility will be carried out gradually over the upcoming period.

Expansion of the route network and new destinations:

In the report period, the Company launched ten new destinations, including: Hanoi (Vietnam), Seoul (South Korea), Basel (Switzerland), and more. Furthermore, subsequent to the report date, the Company launched an additional long-haul destination for the first time in its history – Buenos Aires (Argentina).

The Company's estimates detailed above, including with respect to the aircraft fleet, seat capacity, and the data regarding the new food production facility, constitute forward-looking information as defined in the Securities Law, which are based on data, assumptions, assessments, and forecasts, inter alia drawing on the Company's experience as well as third-party data and projections, and they depend to a large extent on third parties and their activities, as well as the occurrence of events beyond the Company's control. Any change in the aforesaid assumptions and forecasts, as well as the materialization of any of the risk factors relevant to the Company and its operations as specified in Section 8.16 of the Description of the Corporation's Business chapter of the 2025 periodic report, may affect, and even materially affect, actual results.

FFP data

The FFP operations constitute a substantial growth driver for the Group, as well as an important platform for strengthening and maintaining passenger relationships. For the FF Company's financial statements for Q1/2026, see Annex B to this Board of Directors' Report. The table below presents figures with respect to the number of FFP members (in thousands), the number of Fly Card credit cards (in thousands) and the percentage of identified purchases by FFP members:

	As of 31 March 2026	As of 31 March 2025	As of 31 December 2025
No. of FFP members (in thousands)	3,606	3,338	3,552
No. of Fly Card credit cards (in thousands)	528	468	518

	For the three-month period ended 31 March 2026	For the three-month period ended 31 March 2025	For the year ended 31 December 2025
Percentage of identified purchases by FFP members[3]	57%	57%	54%

The number of FFP members increased in Q1/2026 by ~8% compared with the same quarter last year, and the number of credit cards increased by ~13%. Furthermore, the Group expects to have ~4.2 million FFP members by 2030.

As specified in Section 7.6.3 of the Description of the Corporation's Business chapter of the Company's 2025 periodic report, the FFP operations were sold to the subsidiary EL AL Frequent Flyer Ltd. (the "**FF Company**"). The following table presents selected data of the FF Company's profit and loss and cash flow from operating activities (USD in millions):

	For the three-month period ended 31 March 2026	For the three-month period ended 31 March 2025	For the year ended 2025 [sic]
Revenues	30.1	24.7	92.7
EBITDA	26.5	24.5	86.1
Operating income	16.5	21.3	94.4
Net income	11.9	13.9	52.5
Cash flow from operating activities	36.1	32.1	156.3

The figures presented in the above table are in accordance with the separate financial statements of the FF Company which include, *inter alia*, gains and losses from intercompany transactions, including the accrual and redemption of FFP points and the amortization of intangible assets arising from the acquisition of the operations.

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

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

The following table presents selected data from the FF Company's statement of financial position (USD in millions):

	As of 31 March 2026	As of 31 March 2025	As of 31 December 2025
Cash and cash equivalents	158.3	46.2	153.7
Current assets	236.2	72.7	232.1
Non-current assets	419.4	466.2	423.7
Current liabilities	275.4	229.9	278.0
Non-current liabilities	43.4	59.3	53.0
Equity	336.7	249.8	324.8

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

For details with respect to the entry of the FF Company and Isracard into a 10-year agreement for the issuance of Fly Card credit cards, see the section 'Continued implementation of the Company's long-term business strategy' above.

The FFP operations constitute a significant growth driver for the Group, as well as an important platform for strengthening and maintaining passenger relationships. Given the fact that as of the statements for Q1/2026, the minority shareholder of the FF Company is expected to attach the FF Company's statements to its financial statements due to its being a material associate of the minority shareholder, and in order to make available to the Company's stakeholders the information to be provided to the holders of securities of the minority shareholder, the Company has decided, at this stage, to attach the FF Company's statements. For the FF Company's financial statements for Q1/2026, see Annex B to this Report.

The Company's forecasts regarding the number of FFP members constitute forward-looking information, as defined in the Securities Law, based on the Company's assumptions, estimates and forecasts or intentions in relation to its business environment that may change, in whole or in part. Therefore, actual results, in whole or in part, may not materialize as stated, only partly materialize, or materially differ from the results and forecasts estimated, derived from or implied by this information, inter alia, as a result of dependence on third parties outside the Company's control or the occurrence of events beyond the Company's control, including the materialization of any of the risk factors that characterize the Company's operations as specified in Section 8.16 of the Description of the Corporation's Business chapter of the 2025 periodic report.

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

A1. Key Figures

Key quantitative figures for Q1/2026 compared with the same quarter last year (USD in millions):

	Q1/2026	% of revenues	Q1/2025	% of revenues
Revenues from operations	562.4	100.0%	773.7	100.0%
EBITDA[4]	(1.5)	(0.3%)	190.9	24.7%
EBITDAR[5]	16.4	2.9%	213.0	27.5%
Income (loss) before taxes on income	(85.2)	(15.2%)	120.1	15.5%
Net income (loss) for the period	(66.7)	(11.9%)	95.6	12.4%
Cash flow from operating activities	232.2		352.3	
Free cash flow (before tax and after debt service)	(78.1)		92.1	
Closing balance of cash and cash equivalents and available liquid resources at end of period	1,905.1		1,674.5	

Key points:

The key changes and effects on the Group's revenues, EBITDAR and income before tax in Q1/2026 are as follows :

- The impact of the Operation, which led to a decrease of approx. USD 120 million in EBITDAR and in income before tax, given the fact that the Group continued to incur fixed costs during the suspension of operations, and also sustained additional direct costs, such as aircraft parking fees due to their relocation to alternate airports abroad, hotel and per diem expenses for crews stationed abroad during the Operation, crew transfers abroad etc., in addition to a provision (revenue reduction) recognized by the Group in respect of passenger indemnification, as specified in Note 10 to the financial statements.

- An increase in operating expenses, primarily affected by the rise in fuel prices due to the Operation and the strengthening of the ILS against the USD, while some expenses experienced a certain decline as a result of the suspension of flight operations.

- A decrease in load factors in January-February 2026, which were high relative to the season, but lower than their unusually strong levels in the same months last year.

[4] Earnings before Interest, Tax, Depreciation and Amortization.

[5] EBITDA, as defined above, net of expenses in respect of leases for which no assets and liabilities were recognized in accordance with International Financial Reporting Standard (IFRS) 16 (primarily wet leases).

Free cash flow (before tax): [6, 7, 8]

The following table presents the Group's free cash flow (before tax) in Q1/2026 compared with the same quarter in 2025:

	Q1/2026	Q1/2025	Q1/2026 vs. Q1/2025
		USD in millions	
EBITDA	(1.5)	190.9	(192.4)
CAPEX [6]	(30.4)	(29.0)	(1.3)
Free cash flow (before tax and debt service)	(31.8)	161.9	(193.7)
Loan principal repayment	(26.1)	(35.6)	9.5
Lease principal repayment [7]	(32.3)	(33.0)	0.7
Interest payments [8]	(14.0)	(17.2)	3.2
Interest income	26.2	16.1	10.1
Free cash flow (before tax and after debt service)	(78.1)	92.1	(170.3)

In Q1/2026, the free cash flow before tax and debt service totaled a negative sum of approx. USD 31.8 million, and the free cash flow after tax and debt service totaled a negative sum of approx. USD 78.1 million. The decrease in the free cash flow before tax and after debt service primarily results from the decrease in EBITDA as explained above, which was offset by an increase in interest proceeds and a decrease in interest payments, as a result of the increase in liquid balances during the reporting period.

Development of cash and cash equivalents and readily available liquid resources[9]:

	Q1/2026	Q1/2025	Q1/2026 vs. Q1/2025
		USD in millions	
Opening balance of cash and cash equivalents, deposits over one year and available liquid resources	1,961.0	1,443.8	517.1
Free cash flow (before tax and after debt service)	(78.1)	92.1	(170.2)
Issuance of shares and exercise of stock options	52.3	68.3	(16.0)
Dividend payment	(102.2)	-	(102.2)
Procurement of assets, net [10]	(96.3)	(26.7)	(69.6)
Others (mainly changes in working capital) [11]	168.3	97.0	71.3
Closing balance of cash and cash equivalents, deposits over one year and available liquid resources	1,905.1	1,674.5	230.6

[6] CAPEX includes cash flow used for the purchase of assets (primarily spares and components) for maintenance (rather than growth).
[7] Lease principal repayment excludes repayments made in the same year for leases contractually due in previous years but actually paid in the said years due to Covid-related postponements.
[8] Interest payments include notional interest in respect of leases according to IFRS 16 and the cash flow effect of interest hedging.
[9] Readily available liquid resources include readily available short- and long-term deposits and investments in financial assets as specified in Note 3 to the financial statements.
[10] Net of asset sales.
[11] For details regarding the change in the working capital, see Section A.5 below.

The following table presents figures on the development of the Company's financial debt from 2023 until the report date:

Financial debt and the ratio of debt to EBITDA:

	31 March 2026	31 Dec. 2025	31 Dec. 2024	31 Dec. 2023
	USD in millions			
Gross financial debt [12]	1,170.9	1,276.4	1,519.1	1,834.6
Cash and cash equivalents, including readily available deposits	1,905.1	1,961.0	1,443.8	405.7
Net financial debt (surplus)	(734.1)	(684.6)	75.3	1,428.9
EBITDA (LTM) [13]	655.3	847.7	1,035.4	503.3
Ratio of net financial debt to EBITDA	Less than 0	Less than 0	0.1	2.8

[12] Including leases (except leases which are not subject to IFRS 16 – mainly wet leases (ACMI)).
[13] The EBITDA is for a 12-month period ended on the relevant date in each of the periods.

A2. Review of the development of the business environment and operational metrics

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

For the three-month period ended 31 March 2026:

Global trends in the aviation industry:

Below are several points from IATA's assessment of the impact of the geopolitical situation in the Middle East on the global aviation market

Disruptions in jet fuel supply[14]

The escalation in the security situation in the Middle East, which began at the end of February 2026, has severely disrupted global energy flows, affected tanker traffic in the Strait of Hormuz, and exposed deep vulnerabilities in jet fuel supply. Europe is particularly exposed, as ~25%–30% of its jet fuel demand originates from the Persian Gulf. The sudden reduction in shipping capacity and the sharp rise in insurance premiums have tightened availability and pushed prices higher amid mounting concerns over shortages. The crisis underscores the urgent need to strengthen the resilience of jet fuel supply through strategic reserves, diversified sourcing, and accelerated development of sustainable fuel.

As part of the Company's mitigation measures, it maintains ongoing dialogue with its principal fuel suppliers abroad in order to ensure the execution of its planned commercial operations. As of the date of issuance of the report, the Company is not experiencing disruptions in fuel supply and, to the best of its assessment, it is not expected to experience disruptions in the near term.

Jet fuel price volatility[15]

Jet fuel is the largest cost component for airlines (along with labor costs), and fluctuations in fuel prices have a significant impact on the profitability of the aviation industry. Conversely, fuel price shocks push costs higher faster than revenues can adjust, thereby posing an elevated risk of eroding industry profitability. For details regarding the impact of jet fuel on the Company, see Chapter B below.

Global air traffic disruptions[16]

The conflict that began in the Middle East on 28 February 2026, forced airlines to cancel flights to and from the Middel East at very short notice, causing severe disruption to regional connectivity. Within ten days of the start of the Operation, ~73% of the capacity, measured in available seat-kilometers (ASK), to and from the region had been cancelled. Air corridors between Southeast Asia and the rest of the world were particularly affected, with nearly 80% of the air traffic between the region and Europe via the Middle East being cancelled, followed by routes to North America and to Latin America and the Caribbean, with capacity reductions of 75% and 74%, respectively. This level of disruption had previously been seen only during the COVID-19 pandemic, when 95% of capacity to and from the region was removed at short notice. The concentration of cancellations on these routes reflects the extent to which global connectivity, particularly for Southeast Asia, depends on the Middle East's function as a connecting hub, with potentially severe implications if the disruptions persist over time.

In this context, it is noted that the Group has been operating, for an extended period of time, flights to Thailand by a longer, bypass route that does not rely on the connecting corridors of the Middle East. In view of the aforementioned geopolitical situation in the Middle East, airlines around the world had to cancel or reroute flights due to the closure of regional transit routes, while on the other hand, the Group as aforesaid continued to operate the longer route that had already been adapted to the changing security situation. In the Company's estimation, the fact that the Group was not required to make additional route changes during the crisis reduced the level of operational disruption in this context and

[14] www.iata.org/en/iata-repository/publications/economic-reports/middle-east-conflict-exposes-jet-fuel-supply-vulnerabilities/
[15] www.iata.org/en/iata-repository/publications/economic-reports/sudden-change-is-more-challenging-than-high-fuel-prices
[16] www.iata.org/en/iata-repository/publications/economic-reports/global-air-traffic-disruptions-in-strategic-middle-east-hub/

strengthened its ability to provide uninterrupted and reliable service to its customers, even when the airspace around Israel was subjected to significant disruptions, thus establishing its position as a stable airline during a period of geopolitical uncertainty.

Against the backdrop of global geopolitical uncertainty, it appears that the global aviation industry in 2026 must operate under a model in which uncertainty becomes a constant state, requiring airlines to operate and make the necessary adjustments in a changing reality marked by frequent risks and developments beyond their control. This means contending with risks that lead to operational disruptions (primarily due to geopolitical factors), including erosion and volatility in profitability due to rising fuel prices, labor costs, and the like. For airlines, this means transitioning from planning based on a stable market to the continuous management of risks and volatility, with an emphasis on a changing environment and prolonged uncertainty.

In recent years, the Group, which operates at the core of Israel's civil aviation operations, has contended with a series of complex regional and global security crises, while demonstrating its ability to make the necessary adjustments efficiently and consistently, inter alia, in the operational and commercial aspects. At the same time, Israeli consumers have shown a strong ability to adapt to the changing security reality, helping to maintain significant and consistent flight operation volumes even during periods that are marked by uncertainty.

In this context, it is noted that the backlog for the Group's flights as of the end of April 2026, as specified in the introduction above, exceeds the backlogs in the same period in previous years, and reflects increased demand along with swift consumer recovery. In the Company's estimation, the combination between the Group's operational flexibility and the resilience of the Israeli consumer constitutes a stable foundation that allows the Group to continue playing a key role in securing the air connectivity of Israel, among other things, against the backdrop of the geopolitical uncertainty in the Middle East.

IATA's assessments and estimates with respect to the global aviation industry and the Group's estimates as specified above, including the changing security reality, the global geopolitical situation, the possibility that the Company will experience disruptions in the supply of fuel, and the risks entailed by fuel price shocks, uncertainty as a state that becomes constant, demand for flights and continued volatility in input prices, are forward-looking information as defined in the Securities Law. Such information is based on the Group's assessments and relies on IATA's assessment. To the best of the Group's knowledge, IATA's assessment is based, inter alia, on current trends of change in the tourism and aviation industry in recent years and the developments expected therein and is also subject to the effects of the economic, security and geopolitical situation in Israel and the world. Therefore, actual data may materially differ from the estimates specified. Materialization of these estimates is dependent inter alia on the occurrence of events beyond the Group's control, including the risk factors specified in Section 8.16 of the Description of the Corporation's Business chapter in the 2025 periodic report.

Passenger traffic at BGA and market share:

<u>Passenger traffic at BGA in the reporting year</u>

In January-February 2026, prior to the launch of the Operation, the number of passenger segments at BGA increased by ~18% compared with the same period last year, although it remained ~17% lower than in the same period in 2023. These figures illustrate the continued recovery and the continued gradual resumption of operations at BGA by foreign airlines during these months, as compared with 2025. However, passenger traffic at BGA in the said period was still lower than the traffic in the period preceding the Swords of Iron war, which broke out in October 2023.

Thus, the Group's BGA market share in January-February 2026 was ~37%, whereas the Group's BGA market share in the same period last year was ~47%. Furthermore, in the same period in 2023, the Group's BGA market share was ~22%.

In March 2026, in view of the suspension of regular flight operations at BGA as a result of the Operation, foreign airlines suspended their flights to and from Israel, such that only Israeli airlines operated at BGA, in accordance with the changing flight framework as established by the competent authorities of the State. At the same time, March 2026 saw a dramatic drop in passenger traffic at BGA, such that the number of passenger segments at BGA was ~85% smaller than that number in March last year and ~89% smaller than that number in March 2023.

In view of the aforesaid, the Group's market share in March 2026 was ~54%, compared with a market share of ~39% in March last year and a market share of ~23% in March 2023; however, as aforesaid, passenger numbers in March 2026 were significantly lower due to the restrictions of the Operation.

<u>Projected passenger traffic at BGA in 2026</u>

As specified in the above introduction to the Board of Directors' Report, due to the Operation and the suspension of regular flight operations at BGA, foreign airlines suspended their flight operations to and from Israel. The ceasefire that began on 9 April 2026 led to deescalation in the security situation and some of those foreign airlines resumed or announced the expected gradual resumption of their flight operations at BGA. Based on various reports, the Company estimates that the foreign airlines will continue to return gradually and at a slow pace, particularly when compared against their planned pace of return immediately prior to the Operation.

The estimates regarding the expected passenger traffic at BGA in 2026 are forecasted information that may change according to the geopolitical developments in the region and due to additional factors, and constitute forward-looking information as defined in the Securities Law. This information is based, inter alia, on data published in the distribution systems and in various reports. Actual data may differ materially from the estimates specified herein as a result of numerous factors, including according to the geopolitical developments in the region and due to the materialization of any of the risk factors relevant to the aviation operations as specified in Section 8.16 of the Description of the Corporation's Business chapter of the Company's 2025 periodic report.

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

Passenger traffic at BGA – inbound tourists and outbound residents*

		Q1/2026	Q1/2025	Q1/2026 vs. Q1/2025
Passenger traffic at BGA	Flight segments in millions	2.8	3.6	(21.3%)
Outbound residents	Passengers in millions	1.2	1.6	(26.5%)
Inbound tourists	Passengers in millions	0.22	0.25	(10.1%)

*The outbound residents, as specified in the table above, reflect air travel only. The inbound tourists reflect air travel (and exclude day visitors as defined by the CBS).

Passenger traffic (direct flights[17]) – passenger segments in millions, by geographic region

Region	Q1/2026	Q1/2025
Transatlantic	0.3	0.3
Europe	2.0	2.7
Middle East & Africa	0.4	0.5
Far East	0.1	0.1
Total	2.8	3.6

Traffic of key competitors at BGA[18]

Airline	Market Share at BGA in Q1/2026	Passenger Traffic in Q1/2026 (in thousands)	Passenger Traffic in Q1/2025 (in thousands)	Change in Passenger Traffic Year-over-Year
EL AL and Sundor	37.8%	1,066.5	1,582.1	(32.6%)
Wizz Air	11.0%	309.4	237.7	30.2%
Israir	7.6%	213.7	354.8	(39.8%)
Arkia	7.3%	204.8	274.6	(25.4%)
Flydubai	4.8%	134.9	191.5	(29.6%)
Etihad Airways	3.6%	100.7	76.9	31.0%
United Airlines	3.0%	84.0	10.3	715.9%
Lufthansa	2.1%	58.0	62.2	(6.7%)
Aegean Airlines	1.6%	46.0	85.7	(46.4%)
Transavia France	1.5%	43.0	19.8	117.3%
Blue Bird Airways	1.2%	34.6	117.3	(70.5%)
Delta Airlines	1.1%	32.0	*	*

*Delta Airlines did not operate flights to and from Israel in Q1/2025.

Market share of the Company and breakdown of passengers at BGA by airline type[19]

Type	Q1/2026	Q1/2025
EL AL and Sundor	37.8%	44.1%
Israeli airlines (excluding EL AL and Sundor)	15.2%	17.6%
Foreign airlines (excluding charter carriers)	42.3%	35.3%
Charter carriers (excluding Sundor)	4.7%	3.0%

[17] These data are based on Israel Airports Authority (IAA) data segmented by direct flight destination without identifying the passenger's final destination in the case of Sixth Freedom flights.

[18] Market share information is based on IAA data. It is clarified that some of the airlines also operate flights to Israel from non-hub airports. The airlines as specified in the table are the Company's leading competitors as of shortly before approval of the report. In this context, changes are made from time to time due to a material increase in the airlines' market shares.

[19] The data for the comparative periods were updated retroactively based on the reclassification of some airlines. The information regarding the breakdown of passenger traffic is based on IAA data. In addition, adjustments were made in connection with the classification of the airlines as specified in the table above.

The Company's market shares by geographic region[20]

Region	Q1/2026	Q1/2025
Transatlantic	59.1%	91.8%
Europe	37.0%	42.6%
Middle East & Africa	8.1%	9.9%
Far East	69.9%	80.1%
EL AL and Sundor market share	**37.8%**	**44.1%**

Cargo traffic at BGA

In the current quarter, cargo traffic at BGA, both in the cargo holds of passenger aircraft and in cargo aircraft, dropped by ~12.4% compared with last year (as a result of the Operation), whereas the Company's market share decreased from 27.5% to 23.7% due to the gradual return of foreign airlines during 2025, which also continued in January-February 2026.

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

Cargo traffic at BGA – import and export[21]

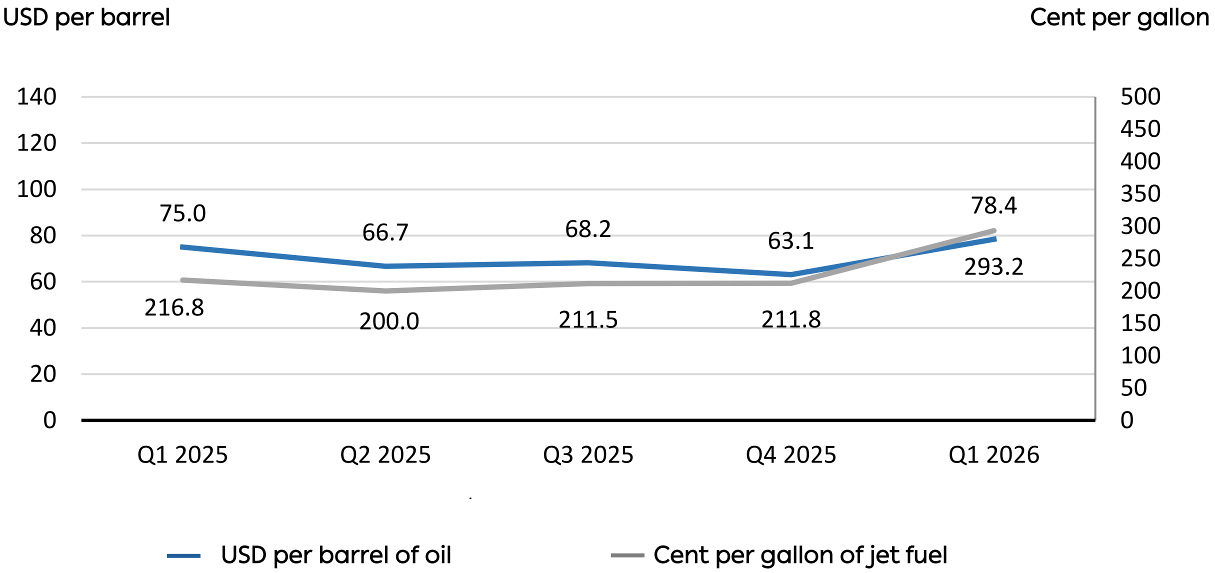
	Q1/2026	Q1/2025	Q1/2026 Vs. Q1/2025
Total cargo (tons in thousands)	80.8	92.3	(12.4%)
Cargo import (tons in thousands)	53.1	59.7	(10.9%)
Cargo export (tons in thousands)	27.7	32.6	(15.0)

[20] The regions in the table also include destinations to which the Company does not fly. Market share calculations are based on both EL AL flights and Sundor flights.
[21] These data are the Company's estimate based on an analysis of IAA data. The data include cargo transported both in cargo aircraft and in the cargo holds of passenger aircraft.

Jet fuel:

In Q1/2026, jet fuel prices increased by ~35.2% compared with jet fuel prices in the same period last year. The Company is taking action to offset the impact of the change in jet fuel prices, *inter alia*, by means of hedging transactions according to the amount of its available facilities and in accordance with its hedging policy. For further details regarding the impact of the change in jet fuel prices on the Company's results, see Section A.3. below.

Development of the average market prices of jet fuel and crude oil[22]:



Exchange rates:

The table below presents the development in the exchange rates from Q1/2025 to Q1/2026:

	Average ILS/USD Exchange Rate	ILS/USD Closing Rate	JPY/USD Closing Rate
Q1/2025	3.61	3.72	149.36
Q2/2025	3.58	3.37	144.29
Q3/2025	3.36	3.31	148.04
Q4/2025	3.25	3.19	156.64
Y2025	3.45	3.19	156.64
Q1/2026	3.12	3.17	159.49

During Q1/2026, the USD depreciated against the ILS by ~13.6%.

Average exchange rates have an impact on the Company's ILS-denominated expenses, primarily payroll expenses. The strengthening of the average exchange rate of the USD against the ILS has a positive impact on the Group's operating results, and vice versa, due to the fact that the Group's revenues are primarily USD-denominated, whereas payroll and certain headquarters expenses are primarily ILS-denominated[23].

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[22] Source: The Bloomberg Terminal.
[23] Without accounting for the positive effect of the appreciation of the ILS against the USD on the Israeli consumers' disposable income in USD terms and on demand for flights.

As concerns closing rates, the ILS-USD exchange rate was ~3.17 as of 31 March 2026, compared with ~3.72 as of 31 March 2025, reflecting a ~14.9% depreciation of the USD against the ILS. These rates have an impact on the Group's balance sheet items, as these items are revalued at the end of the period relative to their value at the beginning of the reporting period.

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

A2.2 Operational metrics[24]

For the three-month period ended 31 March 2026:

The table below presents the Group's operational metrics. See also the above introduction to the Board of Directors' Report and Section A.1 above with respect to key data.

	Q1/2026	Q1/2025	Q1/2026 v. Q1/2025
Volume of operations and passenger traffic:			
Passenger segments, scheduled and charter (paying passengers) – in thousands	1,059	1,556	(32.0%)
Total market share – in %	37.8%	44.1%	(14.3%)
ASK – in millions (1)	5,423	6,742	(19.6%)
RPK – in millions	4,508	6,356	(29.1%)
Passenger load factor (PLF) – in %	83.1%	94.3%	(11.8%)
Flight hours on wide-body passenger aircraft – in thousands	17.7	19.8	(10.7%)
Flight hours on narrow-body passenger aircraft – in thousands	16.2	23.0	(29.6%)
Time-weighted number of active aircraft	45.9	45.1	1.8%
Cargo traffic:			
Tons of transported cargo – in thousands	17.9	23.3	(23.2%)
RTK – in millions	93.1	132.3	(29.6%)
Profitability metrics:			
RRPK	10.63	10.86	(2.1%)
RASK	8.84	10.24	(13.7%)
TRASK	10.37	11.48	(9.6%)
CASK (2)	11.66	9.62	21.3%
CASK Ex-Fuel (2)	9.51	7.58	25.5%

(1) See explanation below.
(2) See explanation below.

Legend

Passenger segment	One-way flight voucher.
Revenue Passenger Kilometer – RPK	Number of paying passengers multiplied by the flight distance.
Available Seat Kilometer – ASK	Number of seats offered for sale multiplied by the flight distance
Passenger Load Factor – PLF	RPK/ASK
Average Revenue per RPK – RRPK	Reflects the average revenue per paying passenger-kilometer.
Revenue per ASK - RASK	Passenger revenues divided by ASK. Reflects the average revenue per available seat kilometer.

[24] The operational metrics included in this section also include flights operated by aircraft under wet lease (leasing of an aircraft together with its crew, maintenance, and security.

Cost per ASK – CASK	Operating expenses[25] divided by ASK. Reflects the average cost per available seat kilometer.
Total Revenue per ASK – TRASK	Total revenue divided by ASK. Reflects the Company's total revenues per available seat kilometer.
Revenue Ton Kilometer – RTK	Weight, in tons, of paid cargo transport multiplied by the flight distance.

Operational metrics for the months January-February 2026:

As noted in the introduction above, the Operation led to the suspension of the Group's regular flight operations throughout the entire month of March 2026, resulting in a material impact on the operational metrics for March 2026. Therefore, and in order to illustrate the business trends in January and February 2026, the table below presents data with respect to the Group's operational metrics and revenues during those months compared with the same months last year:

	January-February 2026	January-February 2025	January-February 2026 vs. January-February 2025
Revenue, volume of operations and passenger traffic:			
Revenues – USD in millions (3)	463.6	495.2	(6.8%)
Passenger segments, scheduled and charter (paying passengers) – in thousands	951.3	1,026.9	(7.4%)
Total market share – in %	36.5%	47.1%	(22.5%)
ASK – in millions (1)	4,390	4,374	0.4%
RPK – in millions	3,929	4,189	(6.2%)
Passenger load factor (PLF) – in %	89.5%	95.8%	(6.5%)
Flight hours on wide-body passenger aircraft – in thousands	13.2	12.8	3.4%
Flight hours on narrow-body passenger aircraft – in thousands	14.5	15.1	(4.1%)
Cargo traffic:			
Tons of transported cargo – in thousands	13.0	15.0	(13.0%)
RTK – in millions	75.8	85.9	(11.7%)
Profitability metrics:			
RRPK	10.42	10.51	(0.9%)
RASK	9.33	10.07	(7.4%)
TRASK	10.56	11.32	(6.7%)
CASK (2)	10.59	9.81	8.0%
CASK Ex-Fuel (2)	8.56	7.76	10.2%

(1) The increase of ~0.4% in ASK in January-February 2026 compared with the same period last year primarily results from the continued buildup of production capacity. As a result of the Operation and the closure of Israel's airspace, ASK dropped by ~19.6% compared with the same quarter last year.

(2) The unusual increase of ~25.5% in CASK Ex-Fuel in Q1/2026 compared with the same quarter last year primarily results from the suspension of regular operations in March, with the Company still incurring most of its costs, as specified in Section A.3. below. The rate of increase in this metric in January-February 2026 is ~10.2% compared with the same months last year, primarily due to the

[25] Operating expenses excluding certain one-time items presented under 'Other expenses (income)' in the statement of profit and loss.

appreciation of the ILS against the USD. For details with respect to price increases in the economic environment, and particularly in the Group's business environment, see Section A.2.1 below.

(3) The decrease in revenues for the months of January–February 2026 is primarily due to a decline in the load factors, as detailed in the table, which were high relative to seasonality, but lower than the exceptionally strong load factors recorded in the same months last year.

A2.3. Production capacity - aircraft fleet

The table below presents the Company's aircraft fleet as of the report date and the date of the report last year:

Aircraft Fleet (Passenger and Cargo):	For the three-month period ended 31 March 2026	For the three-month period ended 31 March 2025
Number of self-operated aircraft at end of period – in units	50	47
Number of self-operated serviceable aircraft at end of period – in units	49	46
Average age of self-operated aircraft fleet at end of period – in years	14.7	14.1
Time-weighted number of additional (over and above self-operated) active aircraft operated under wet leases (weighted average)	2.7	4.4

The table below presents a breakdown of the aforesaid aircraft fleet and types of self-operated aircraft as of 31 March 2026:

Aircraft Fleet:	Aircraft Type	Average Number of Seats per Aircraft Type	In-Service Aircraft	Out-of-Service Aircraft	Total	Average Age	Owned	Leased
737-800	Passenger – narrow body	170	18	-	18	20.6	13	5
737-900	Passenger – narrow body	175	8	-	8	11.3	8	-
777-200	Passenger – wide body, Dreamliner configuration	313	4	-	4	22.0	4	-
777-200	Passenger – wide body	279	1	1	2	24.7	2	-
787-8 (Dreamliner)	Passenger – wide body	238	4	-	4	5.4	4	-
787-9 (Dreamliner)	Passenger – wide body	273	13	-	13	7.1	5	8
737-800	Cargo – narrow body	-	1	-	1	24.0	-	1
Total self-operated aircraft			**49**	**1**	**50**	**14.7**	**36**	**14**

For details with respect to the expansion of the aircraft fleet and transactions signed during the period, see Note 4 to the financial statements.

The table below presents aircraft operated under wet leases as of 31 March 2026:

Aircraft Type	Average Number of Seats per Aircraft in Q1/2026	Number of In-Service Aircraft as of 31 March 2026
Passenger – narrow-body aircraft	187	3
Cargo	-	*1

In February 2026, the Company signed a wet lease agreement with a foreign lessor for two additional Boeing 737-800 aircraft for the 2026 summer season.

Development of the aircraft fleet in the coming years

The following table presents the development of the number of the self-operated passenger aircraft (excluding ACMI) operated by the Company:

Aircraft Fleet	In-Service Aircraft Fleet as of End of Q1/2026	Aircraft Procurement and Return to Service during the Remainder of 2026	Aircraft Fleet Expected as of End of 2026	Expected Procurement in 2027 Forth	Aircraft Fleet Expected after Procurement
787 Dreamliner	17	1	**18**	10	***28**
777 Wide Body	5	1	**6**	-	****6**
737 Narrow Body	26	-	**26**	31 MAX	**31 MAX*** **
Total	**48**	**2**	**50**		**65**

*See Note 4.B. to the financial statements regarding the exercise of an option to purchase six additional 787 (Dreamliner) aircraft, as well as regarding the conversion of four aircraft to a larger configuration model (787-10). Additionally, and as stated in the said note, the Company has options to purchase up to six additional aircraft of this model.

**At the end of the procurement period, aircraft of this model are expected to be around 30 years of age on average. The Company shall consider its continued use of these aircraft, *inter alia* depending on the exercise of the additional options for the purchase of the 787 aircraft, as specified above.

***See Note 10.C. to the annual financial statements. The data in the table are under the assumption that the options to purchase up to eleven aircraft of this model will be exercised, as well as under the assumption that the Company's existing narrow-body 737 NG aircraft will be retired from service.

Over and above the data in the above table and in order to meet the expected demand, the Group intends to wet-lease (an average of) five narrow-body aircraft in 2026 (an average increase of one aircraft compared to 2025). Consequently, the Group is expected to operate an average fleet comprising fifty-five (55) aircraft in 2026.

The Company's forecasts as specified above, including with respect to the dates of delivery of additional aircraft, the expected delivery of wet leased aircraft and the purchase of additional engines, constitute forward-looking information as defined in the Securities Law, and are based on data, assumptions, estimates and forecasts that may change, in whole or in part, or materialize in a different, and even materially different, manner than currently expected, and also largely dependent on third parties and their activities as well as the occurrence of events beyond the Company's control. Any change in the aforesaid assumptions and forecasts, as well as the materialization of any of the risk factors relevant to the Company and its operations as specified in Section 8.16 of the Description of the Corporation's Business chapter of the 2025 periodic report, may affect, and even materially affect, actual results and the implementation of the Group's strategic plan.

A3. Analysis of the Company's business results

For the three-month period ended 31 March 2026:

The following table presents the consolidated income statements, including the percentage of the revenues and the rate of change compared with last year, as well as the key factors that affected the Group's results in the reported compared with last year:

	Q1/2026		Q1/2025		Q1/2026 Vs. Q1/2025	
	USD in millions	% of revenues	USD in millions	% of revenues	USD in millions	%
Revenues from operations:	562.4	100.0%	773.7	100.0%	(211.2)	(27.3%)
Operating expenses:						
Fuel	116.6	20.7%	137.3	17.8%	(20.7)	(15.1%)
Payroll and related expenses	203.0	36.1%	180.9	23.4%	22.1	12.2%
Airport fees and services and air navigation fee	73.0	13.0%	83.5	10.8%	(10.5)	(12.5%)
Maintenance	24.7	4.4%	27.2	3.5%	(2.5)	(9.1%)
Food, passenger service, and other operating costs	59.0	10.5%	58.6	7.5%	0.4	0.6%
Marketing and distribution expenses	39.7	7.1%	44.9	5.8%	(5.2)	(11.5%)
Depreciation and amortization	68.5	12.2%	65.6	8.5%	2.9	4.4%
Leases	17.9	3.2%	22.1	2.9%	(4.2)	(19.0%)
IT and HQ expenses	29.9	5.3%	28.3	3.7%	1.6	5.6%
Other expenses (revenues), net	5.6	1.0%	(1.3)	(0.2%)	6.8	-
Total operating expenses	638.0	113.4%	647.1	83.6%	(9.1)	(1.4%)
Operating income (loss)	(75.6)	(13.4%)	126.6	16.4%	(202.1)	-
Net financing expenses	9.7	1.7%	6.4	0.8%	(3.2)	(50.2%)
Income (loss) before taxes on income	(85.2)	(15.2%)	120.1	15.5%	(205.4)	-
Income tax expenses (tax benefit)	(18.5)	(3.3%)	24.6	3.2%	(43.1)	-
Net income (loss) for the period	(66.7)	(11.9%)	95.6	12.4%	(162.3)	-

Revenues from operations

In view of suspension of regular operations in March, revenues from operations decreased in the current quarter by approx. USD 211.2 million, ~27.3%, compared with revenues from operations in the same quarter last year. Revenues from passenger transport in Q1/2026 decreased by ~31% compared with the same period last year (approx. USD 211.2 million). Revenues from cargo transport decreased by ~18.0% compared with last year (approx. USD 11.1 million), and conversely, related revenues in Q1/2026 increased ~52.0% compared with the quarter last year (approx. USD 11.1 million).

The aforesaid decrease in cargo revenues results from a decrease in the volume of cargo flown, despite an increase in revenue per ton kilometer (RTK), primarily due to the Operation, which led to the suspension of regular passenger aircraft operations, and consequently to a decrease in revenues from cargo transport in the cargo holds of passenger aircraft.

The increase in related revenues primarily results from an increase of ~135.0% (approx. USD 9.0 million) in respect of a loyalty program component (for details, see Note 8.A. to the financial statements), due to an increase in the number of branded (Fly Card) credit cards and in credit card transaction volumes in respect thereof, as well as the appreciation of the ILS against the USD (since most of the revenues from the loyalty program component are denominated in ILS). For the engagement between the FF Company and Isracard, see the introduction above.

Operating expenses

Operating expenses in Q1/2026 totaled approx. USD 638.0 million, representing a decrease of approx. USD 9.1 million (~1.4%) compared with last year. Despite the decrease in operating expenses, there was an increase in operating expenses as a percentage of revenue (~113.4% compared with 83.6% last year), primarily due to Operation Roaring Lion, during which the Company's operations were suspended, and at the same time the Group continued to incur fixed costs and also sustained incremental costs as a result of the Operation, such as aircraft parking fees due to their relocation to alternate airports abroad, hotel and *per diem* expenses for crews stationed abroad, and crew transfers between destinations abroad, etc.

Below are several additional points regarding operating expenses in Q1/2026:

- The Company's **jet fuel expenses** decreased by approx. USD 20.7 million (down ~15.1%) compared with last year, whereas the rate thereof as a percentage of the revenue in Q1/2026 constituted ~20.7% compared with ~17.8% last year.

  In the current quarter, fuel expenses decreased due to a decline in the quantity of jet fuel consumed, in view of the suspension of operations due to the Operation, despite the increase in jet fuel prices of ~35.2% (before the effect of hedging) compared with last year. The hedging effect was positive, resulting in an expense reduction of approx. USD 8.7 million.

  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 5 to the financial statements. The table below presents jet fuel expenses, including the effect of hedging and the effect of the CORSIA program expenses in Q1/2026 compared with last year.

	Q1/2026	Q1/2025	Q1/2026 Vs. Q1/2025
	USD in millions		
Jet fuel expenses for the period (before hedging effects)	123.4	135.3	(11.9)
Effect of jet fuel hedging transactions on operating income	(8.7)	2.0	(10.8)
Expenses in respect of the CORSIA program	2.0	-	2.0
Total jet fuel expenses	116.6	137.3	(20.7)
Quantity of jet fuel consumed (gallons in millions)	46.3	56.4	(10.1)

- **Payroll expenses** totaled approx. USD 203.0 million in Q1/2026, representing ~36.1% of the revenues (compared with ~23.4% last year). The increase in expenses as a percentage of revenue stems from the impact of Operation Roaring Lion, during which the Group continued to incur payroll expenses despite the said suspension of regular operations.

The increase of approx. USD 22.1 million in total expenses compared with last year mainly stems from the appreciation of the ILS against the USD by ~14.0%, leading to an increase of approx. USD 28.3 million (including the effect of hedging and including the effect of revaluation of the Group's actuarial liabilities), since the vast majority of the Group's payroll expenses is denominated in ILS, and from the growth in the planned volume of operations and expansion of the workforce, driven by buildup of the Company's production capacity, which enables it to continue to meet, insofar as possible, the rising market demand, and to prepare for continued procurement and expansion of its aircraft fleet. For details, see Section A.2.3 below.

- The **'Airport fees and services'** items [sic] decreased by approx. USD 10.5 million compared with the same quarter last year. The decrease results primarily from the Operation, since operations were suspended upon the launch of the Operation throughout March 2026.

- The **'Food, passenger service, and other operating costs'** items [sic] increased by approx. USD 0.4 million compared with the same quarter last year, despite suspension of operations in March as aforesaid due to the Operation. The aforesaid primarily derives from the appreciation of the ILS against the USD as specified above, since most food expenses are ILS-denominated, and also results from direct expenses incurred by the Group in respect of the Operation.

- The table below presents **marketing and distribution expenses**:

	Q1/2026	Q1/2025	Q1/2026 Vs. Q1/2025
	USD in millions		
Agent and credit card commissions	26.5	32.8	(6.3)
Distribution system expenses	7.6	9.9	(2.3)
Advertising and marketing expenses	5.6	2.2	3.4
Total marketing and distribution expenses	39.7	44.9	(5.2)

This item decreased by approx. USD 5.2 million (~11.0%) compared with last year. These expenses represented ~7.1% of the revenues (compared with ~5.8% last year). Agent and credit card commission expenses decreased primarily due to the decrease in the amount of revenues from passenger flights compared with the same quarter last year as a result of the Operation, and conversely, advertising and marketing expenses increased by approx. USD 3.4 million, primarily due to recognition of an expense reduction in the corresponding quarter as a result of contribution by external parties to the marketing expenses of the FF Company.

- The **'Depreciation and amortization'** item increased by approx. USD 2.9 million (~4.4%) compared with last year. The increase in depreciation and amortization expenses mainly derives from expansion of the aircraft fleet and flight equipment, as well as an increase in depreciation and amortization in respect of other fixed assets and intangible assets as a result of the Group's investments in this area, chiefly in the field of cyber and information systems.

- The **'Leases'** item (which mainly consists of wet lease expenses, while most of the dry lease expenses are recognized under the 'Depreciation' and 'Financing' items according to IFRS 16), decreased by approx. USD 4.2 million (~19.0%) compared with last year, mostly in respect of expenses for the lease of cargo aircraft on charter flights, primarily due to the Operation, which led to the suspension of operations vis-à-vis charter operators.

- **IT and HQ** costs showed no material change compared to the same period last year.

Net financing expenses

Net financing expenses totaled approx. USD 9.7 million in Q1/2026 compared with approx. USD 6.4 million in the same quarter last year, increasing by approx. USD 3.2 million. The increase in financing expenses primarily results from a loss on the Group's securities portfolio due to market declines in March 2026.

Taxes on income

Income tax expenses (tax benefit) totaled approx. USD 18.5 million in Q1/2026, down USD 43.1 million compared with the same quarter last year. The recognition of a tax benefit results from the loss in the current quarter compared to the profit in the same quarter last year, primarily due to the Operation, which affected the results of the quarter as described above.

A4. Seasonality

Under normal conditions, the Group's operations are affected by seasonality and center on peak periods, primarily during the summer and holiday seasons. For the business environment and market development at the present time, see the introduction to this Board of Directors' Report and Section A.2.1. above.

A5. Cash flow

Cash flows for the three-month period ended 31 March 2026:

	Q1/2026	Q1/2025	Q1/2026 Vs. Q1/2025
	USD in millions		
Opening balance of cash and cash equivalents, including readily available liquid resources*	1,961.0	1,443.8	517.2
Net cash flows generated by operating activities	232.5	352.3	(119.8)
Net cash flows used for investing activities**	(133.8)	(116.6)	(17.1)
Net cash flows used for financing activities	(153.0)	(4.2)	(148.8)
Effect of exchange rate changes on cash balances, including readily available liquid resources held in foreign currency*	(1.7)	(0.7)	(1.0)
Increase (decrease) in cash and cash equivalents, including readily available liquid resources*	(55.9)	230.7	(286.6)
Closing balance of cash and cash equivalents, including readily available liquid resources*	1,905.1	1,674.6	230.5

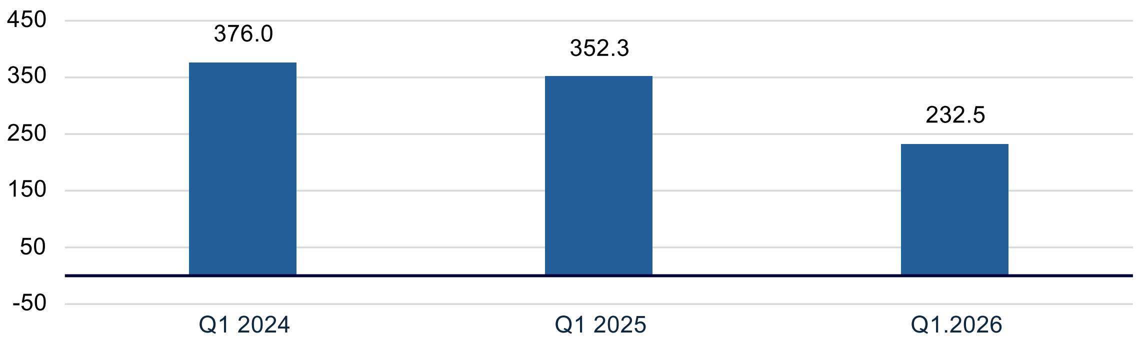
*The Group's readily available liquid resources constitute, for purposes of this disclosure, liquid resources, although they are not part of the 'cash and cash equivalents' item according to GAAP ("readily-available deposits with a term of no more than three months") and therefore are not classified as cash and cash equivalents in the Group's statement of financial position. For details regarding the Group's cash and cash equivalents, see the consolidated statements of cash flows in the financial statements. For further details with respect to the composition of the liquid resources, see Note 3 to the financial statements.

**Net of investments in such readily available liquid resources.

Cash flows from operating activities

In Q1/2026, the Group generated from operating activities a positive cash flow of approx. USD 232.5 million, compared with a positive cash flow of approx. USD 352.3 million in the same quarter last year. The decrease of approx. USD 119.8 million mainly results from a loss before tax of approx. USD 85.2 million in the current quarter, compared with income before tax of approx. USD 120.1 million in the same quarter last year.

Development of Cash Flow from Operating Activities for the Three-Month Period Ended 31 March in the years 2024 through 2026 (USD in millions)



Cash flows for investing activities

In Q1/2026, the Group used a net sum of approx. USD 133.8 million for investing activities. During this period, the Group invested approx. USD 126.7 million in fixed assets and intangible assets, approx. USD 30.4 million of which related to current investments (CAPEX) in the amount of approx. USD 10.4 million in respect of the purchase of spares due to the expansion of operations, approx. USD 4.8 million were in respect of engine refurbishment, and approx. USD 9.2 million were in respect of information technology investments that included investments in development, purchases of software and hardware.

In addition to the said current investments (CAPEX), the Group invested approx. USD 96.3 million in procurement for the buildup of the production capacity, mainly consisting of the procurement of two 737-800 aircraft, the purchase of engines, seats, and spares for use in the Boeing 777 aircraft fleet, as well as investment in TAMAM's production facility.

In Q1/2025, the Group used a net sum of approx. USD 116.6 million for investing activities. During this period, the Group invested approx. USD 110.1 million in fixed assets and intangible assets, of which approx. USD 29.0 million related to current investments (CAPEX), which include an increase of approx. USD 14.5 million in respect of the purchase of spares, consumables and serialized parts (rotables) due to the expansion of operations and approx. USD 5.2 million in respect of information technology investments that consisted of investments in development, purchases of software and hardware. In addition, the Group invested approx. USD 54.4 million in respect of the purchase of an aircraft and engine that it had leased and ownership of which was transferred to the Company, with the remaining sum invested in procurement for the buildup of the Company's production capacity in future periods, primarily through investment in TAMAM's production facility, the purchase of a simulator for the Company's narrow-body aircraft fleet, the purchase of engines, and investments for reconfiguration of the 777 fleet to the Dreamliner configuration. In addition, investment in deposits decreased by approx. USD 5.1 million due to investment in deposits that do not constitute part of the readily available deposits (as they are not liquid).

Cash flows for financing activities

In Q1/2026, the Group used a net cash flow from financing activities in the amount of approx. USD 153.0 million. During this period, the Group distributed a dividend of approx. USD 102.2 million (for details, see Note 9.B. to the financial statements), repaid loans from financial entities in the amount of approx. USD 58.7 million, approx. USD 32.6 million of which related to the prepayment of the Phoenix loan (see Note 6.C. to the financial statements), and made current payments in respect of lease liabilities (the principal component) in the sum of approx. USD 32.8 million. In addition, the Group repaid credit facilities totaling approx. USD 19.4 million.

Conversely, the Group generated a positive cash flow from the exercise of warrants in the sum of approx. USD 52.3 million, and from the exercise of the Phoenix option for the acquisition of shares of a subsidiary in the sum of approx. USD 7.7 million. For further details, see Notes 9.A. and 5.D. to the financial statements, respectively.

In Q1/2025, the Group used a net sum of approx. USD 4.2 million for financing activities. During this period, the Group repaid loans from financial entities in the amount of approx. USD 35.6 million. In addition, the Group made current payments in respect of lease liabilities (the notional principal component) in the sum of approx. USD 36.3 million. Conversely, the Company generated a positive cash flow from the exercise of warrants in the sum of approx. USD 68.3 million.

A6. Financial position, cash balances and working capital

	31 March 2026	31 Dec. 2025		31 March 2026	31 Dec. 2025
	USD in millions			USD in millions	
Current assets	2,473.4	2,452.1	Current liabilities	2,407.9	2,224.2
Non-current assets	2,600.8	2,547.6	Non-current liabilities	1,655.2	1,727.6
			Equity	1,011.1	1,048.0
Total	5,074.2	4,998.8	Total	5,074.2	4,998.8

Below are the key changes in the 'Assets', 'Liabilities' and 'Equity' items as of 31 March 2026 compared with 31 December 2025:

Current assets

Despite the repercussions of the Operation, the Group's current assets as of 31 March 2026 totaled approx. USD 2,473.4 million, demonstrating no material change compared with current assets as of 31 December 2025.

Current liabilities

The Group's current liabilities as of 31 March 2026 totaled approx. USD 2,407.9 million. The increase in the 'Current liabilities' item versus current liabilities as of 31 December 2025 primarily results from an increase in the payables item of approx. USD 254.4 million, which mainly derives from an increase in the balance of expected refunds to customers due to flight cancellations during Operation Roaring Lion.

Non-current assets

Non-current assets as of 31 March 2026 totaled approx. USD 2,600.8 million, up approx. USD 53.2 million compared with non-current assets as of 31 December 2025. The increase in total non-current assets primarily results from an increase of approx. USD 75.9 million in fixed and other assets, mainly from expansion of the aircraft fleet and flight equipment, as specified in Note 4 to the financial statements.

Non-current liabilities

The Group's non-current liabilities as of 31 March 2026 totaled approx. USD 1,655.2 million, down approx. USD 72.4 million compared with non-current liabilities as of 31 December 2025. The decrease primarily derives from a decrease in lease liabilities and liabilities in respect of financial loans, mainly due to current repayments thereof, and due to the decrease in the deferred tax liability (net), following the loss recognized in Q1/2026.

Equity

The Company's equity as of 31 March 2026 totaled approx. USD 1,011.1 million. The decrease in equity compared with the end of 2025 mainly derived from the fact that the Company distributed a dividend of approx. USD 102 million and from the current loss. Conversely, the Company's equity was positively affected by the exercise of warrants during the period, net of financing round fees, in the sum of approx. USD 52.3 million, an increase in capital reserves for hedging in the sum of approx. USD 33.4 million, primarily as a result of an increase in the fair value of jet fuel hedging transactions, and an increase in a capital reserve for transactions with holders of non-controlling interests in respect of the exercise of the Phoenix option, as specified in Note 5.D to the financial statements.

A7. Unencumbered assets

As of 31 March 2026, the Group owns unencumbered assets, including aircraft, in an estimated value of approx. USD 316 million, as well as engines and aviation equipment, including simulators, in an estimated value of approx. USD 66 million, such that the total estimated value of such assets is approx. USD 382 million. Additionally, as specified in Section 8.7.1 of Chapter A – Description of the Corporation's Business of the 2025 periodic report, the Group has an investment in the construction of a building, pursuant to an IAA tender, for the production of in-flight catering, which is expected to be used by the subsidiary TAMAM, which, as of the report release date, is funded by the Group's own resources. For further details, also see Note 10.I to the 2025 annual financial statements.

These assets, and particularly the Company's aircraft, serve as a high-quality basis for expansion of the Group's financing capacity, under attractive terms, thanks to their high marketability and their substantial market value, in view of delays in the global supply chain in the aviation industry and the strong demand for flight equipment. It is further noted that the estimated value of the aircraft and engines is consistent with standard industry price guides.

Subsequent to the report date and by the report release date, the Group's unencumbered assets increased by approx. USD 12 million.

B. EXPOSURE TO AND MANAGEMENT OF MARKET RISKS

Presented below are the market risks to which the Company is exposed, and the methods of management thereof, including the use of hedging transactions. The Company applies hedge accounting and classifies the hedging transactions as hedging instruments. See Note 19 to the annual financial statements for the accounting policy in this context and the Company's policy on market risk management, the functions in charge of management thereof, supervision methods and the implementation of the policy.

Exposure to changes in jet fuel prices

The Company's hedging policy establishes minimum hedging volumes that average ~35% of the exposure for a 12-month period, on a downward-tiered basis throughout the year. Accordingly, as a general rule, the Company routinely rolls over its hedging policy such that at any given point in time, its hedging volume for the subsequent month ranges between 60% and 80% of the forecasted consumption, and as aforesaid, decreasing progressively further out from the measurement point.

Against the backdrop of the geopolitical developments in the Middle East, jet fuel prices in the market soared in the month of March in particular, rising by ~100%-150% compared to the prices prevailing at the beginning of the year. Consequently, the fair value of the hedging transactions saw a material increase. Therefore, on 31 March 2026, the Company effected an early settlement and locked in the hedging income from most of the hedging transactions whose original terms were for the period of June-December 2026 (in a total amount of USD 17.3 million). On 1 April 2026, subsequent to the report date, the Company effected another early settlement and locked in the hedging income from the remaining hedging transactions for such period (totaling an additional sum of USD 3 million). For the effect of consummation of the transactions on profit and loss, see Note 5.B to the financial statements.

In view of the consummation of the said transactions, as of 31 March 2026, the Company's engagements for the purpose of hedging jet fuel prices cover only ~14% of the planned consumption through February 2027, with the majority of the transactions being for the months of April and May 2026. However, as explained above, the Company locked in the hedging income realized for consumption that had been hedged (and for which the hedging was realized) for the months of June-December 2026, in an amount of approx. USD 20 million.

Accordingly, as of 31 March 2026, the Company deviated from the minimum hedging ratios prescribed by the policy (for details, see this section in the Board of Directors' Report for 2025), with the approval of the Board's Risk Management Committee, which has the authority to approve such deviation. The Company intends to gradually return to the hedging ratios specified in the policy over the coming months and subject to geopolitical developments and fluctuations in oil and jet fuel prices. For the effect of all jet fuel hedging transactions on the profit and loss and comprehensive income, see Note 5.A to the financial statements. As of 31 March 2026, the net fair value of the jet fuel hedging instruments totaled a positive balance (asset) of approx. USD 23.9 million (after the repayment made on 31 March 2026 in the sum of USD 17.3 million as aforesaid).

The table below presents the sensitivity of jet fuel expenses over the period of the next 12 months (shortly before the release of the financial statements), relative to the expected future market prices according to the curve known shortly before the report release date, considering the current hedging portfolio, in accordance with the expected activity level and according to the Company's estimate (assuming that all other variables, including the consumption quantity and supplier margins, remain unchanged):

Change in average market price in the next 12 months compared with price shortly before the report release date (365 cents/gallon)	Extent of effect on expenditure in the next 12 months after hedging effects (USD in millions)
50%	397
25%	199
-25%	(200)
-50%	(402)

In addition, the table below presents the projected expenditure on jet fuel in the months of April-September 2026 (USD in millions), dependent on oil prices (Brent crude futures USD/barrel) and future refining margins (USD/barrel):

Brent crude futures (USD/barrel)	Cumulative jet fuel expenditure in the months of April-September 2026 (USD in millions)				
67	292	389	422	454	552
87	341	439	471	504	601
96	366	463	496	528	626
106	390	488	520	553	650
125	439	537	569	602	699
Future refining margins (USD/barrel)	**20**	**50**	**60**	**70**	**100**

Based on the curve as of 30 April 2026, jet fuel prices for the relevant period are expected to be ~80% higher compared to last year's prices, which is projected to result in an increase of approx. USD 200 million in jet fuel expenditures for the same period (after the impact of hedging). A shift in the geopolitical situation is expected to affect jet fuel prices. For details regarding the mitigation actions being taken by the Company, see the introduction above.

The forecast regarding the projected expenditure on jet fuel constitutes forward-looking information, as defined in the Securities Law, which is based on data, assumptions, estimates, and forecasts that may change, in whole or in part, or materialize differently, or even materially differently, than expected as of the present date. The forecast is based on assumptions relating inter alia to the continuation of the Company's flight operations. Any change in the foregoing assumptions and forecasts, as well as the materialization of any of the risk factors relevant to the Company and its operations as specified in Section 8.16 of the 'Description of the Corporation's Business' chapter of the 2025 periodic report, may impact, and even materially impact, actual results.

Exposure to changes in interest rates

Most of the Company's loans bear interest that is based on the dollar TERM SOFR interest rate, and the interest on some of the loans is hedged by means of derivatives.

Shortly before the report release date, ~28% of the outstanding loans the Company has received bear a variable interest rate (without hedging), and ~72% of the outstanding loans bear a fixed or hedged interest rate for a period of up to ~5 years.

The table below presents the sensitivity of the interest expenses on outstanding loans as of the report date over the period of the next 12 months (shortly before the release of the financial statements), including the effect of the Company's interest risk management actions:

Change in average Term SOFR interest rate in the next 12 months compared with Term SOFR interest rate shortly before the report date (3.6%)	Average hedging ratio and/or percentage of fixed-interest credit out of projected exposure for the next 12 months	Extent of effect on expenditure in the next 12 months, after hedging effects (USD in millions)
50%	81%	6.8
15%		2.0
-15%		(2.0)
-50%		(6.8)

Interest derivatives

The Company manages the interest rate risk, *inter alia*, by using interest derivatives. The fair value of interest derivatives in the statement of financial position as of 31 March 2026 totaled a positive balance (asset) of approx. USD 14.0 million. For the effect of the transactions on profit and loss and comprehensive income, see Note 5.A. to the financial statements.

Exposure to exchange rates

Exposure in respect of current payments and expenses

Most of the Group's revenues and expenses are USD-denominated, as it is the Company's functional and presentation currency. The Company has ILS-denominated expenses, primarily consisting of payroll expenses. Accordingly, a change in the exchange rate of the ILS against the USD affects the USD value of ILS-denominated expenses. Conversely, the FF Company has ILS-denominated revenues that offset part of the Group's exposure to the ILS.

The table below presents the sensitivity of the ILS-denominated expenses, net of ILS-denominated revenues as aforesaid (excluding the exposure in respect of actuarial liabilities denominated in ILS as specified below) over the period of the next 12 months (shortly before the release of the financial statements) to the future foreign currency rates as currently expected, based on the expected level of operations and on the Group's estimate (assuming all other variables, including the amount of the ILS-denominated expenses and revenues, remain as expected).

Shortly before the report approval date, the hedging ratio for the ILS cash flow exposure in the next 12 months is ~21% of the aforesaid expected exposure. The exposure is hedged through derivatives (designated as hedging instruments for hedge accounting purposes) and/or by holding cash surpluses in ILS-denominated deposits (some of which are designated as hedging instruments and some of which are not designated as hedging instruments for hedge accounting purposes) to reduce actual exposure. For the effect of the transactions on profit and loss and comprehensive income, see Note 19.E.1 to the financial statements.

Change in average exchange rate in the next 12 months compared with exchange rate shortly before the report release date (spot exchange rate: ILS 2.90 per USD 1)	Average hedging ratio out of projected exposure for the next 12 months	Change in USD value of ILS-denominated expenses after hedging effects (USD in millions)[26]
10%	25%	(61)
-10%		74

Exposure in respect of ILS-denominated actuarial liabilities

The Company has several liabilities that mainly relate to the termination of employment relations with employees in Israel, which are denominated in ILS and total approx. USD 145.9 million (net of plan assets), thus exposing the Company to changes in the income statement in respect of periodic revaluation of balance sheet items.

Exposure in respect of JPY-denominated loans

The Company has several loans that include JPY-denominated components. JPY-denominated debt totals approx. JPY 15.0 billion. As of 31 March 2026, the Company entered into cross-currency swap

[26] The change in the USD value of ILS-denominated expenses after hedging, takes into account the impact of the change in the exchange rate, as assumed for the purpose of the sensitivity analysis, also on the balance of ILS deposits, although some of them are not designated as hedging instruments in hedge accounting. Consequently, the impact of the revaluation of such deposits will be carried to the 'Financing' item. In addition, there may be timing differences between the recognition of revaluation gains or losses and the recognition of the consequential effect of operating expenses.

transactions to hedge cash flows and lock in the JPY exchange rate for debt in the amount of approx. JPY 11.7 billion. As of the date of the statement of financial position, the fair value of these hedging transactions totals a negative sum (liability) of approx. USD 22.6 million. For the effect of the transactions on profit and loss and comprehensive income, see Note 5.A. to the financial statements. Accordingly, the Company's unhedged exposure in respect of JPY-denominated debt components totals approx. JPY 3.2 billion (approx. USD 20.5 million, according to the spot exchange rate as of 31 March 2026).

Exposure in respect of balance sheet items and future payments

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

	ILS	JPY	Euro
Cash and deposits	(245.3)	-	(19.1)
Lease liabilities	27.1	-	-
Loans (not hedged, against exchange rate exposure)	-	64.1	-
Employee benefit liabilities	145.9	-	-
Total liabilities (assets), net, in USD	**(72.3)**	**64.1**	**(19.1)**
Spot exchange rate per USD 1 as of 31 March 2026	3.17	159.49	1.15
Consequential effect of a 10% decrease/increase in exchange rate	**(7.2)**	**6.4**	**(1.9)**

Investment policy

In Q1/2026, in accordance with its investment policy, the Company also invested in equity instruments, available-for-sale bonds, mutual funds and money market funds. For details, see Note 3 to the financial statements.

C. DISCLOSURE PROVISIONS IN CONNECTION WITH THE CORPORATION'S FINANCIAL REPORTING

C1. Disclosure on critical accounting estimates

The management's application of the provisions of the international standards when preparing the financial statements sometimes involves various assumptions, assessments and estimates which affect the amounts of the assets and liabilities and the business results reported in the financial statements. Some of the assumptions, assessments and estimates are critical to the financial position or the results of operations reflected in the Group's financial statements due to the materiality of the issue, the complexity of the calculations or the feasibility of materialization of uncertainties. For details on significant accounting estimates used by the Company, see Note 2 to the financial statements.

C2. The matters to which the Company's accountants draw attention in their conclusion on the financial statements

For details regarding the Company's exposure to class actions against it, see Note 7 to the financial statements.

Amikam Ben Zvi, Chairman of the Board	Levy Halevy, CEO

19 May 2026

Chapter B

Condensed Consolidated Financial Statements
as of 31 March 2026
(Unaudited)

El Al Israel Airlines Ltd.

El Al Israel Airlines Ltd.

Condensed Consolidated Financial Statements
As of 31 March 2026

(Unaudited)

Contents

<u>Auditors' Review Report to the Shareholders of El Al Israel Airlines Ltd.</u>

Introduction

We have reviewed the accompanying financial information of El Al Israel Airlines Ltd. and consolidated companies (the "**Company**") which includes the Condensed Consolidated Statements of Financial Position as of 31 March 2026 and the Consolidated Condensed Statements of Profit or Loss, Comprehensive Income, Changes in Capital and Cash Flows for the three-month period then ended. The board of directors and management are responsible for the preparation and presentation of financial information for this interim period in accordance with IAS 34 "Interim Financial Reporting", and they are also responsible for the preparation of financial information for this interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on financial information for this interim period, based on our review.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially narrower in scope than an audit conducted in accordance with Generally Accepted Auditing Standards in Israel and consequently does not allow us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the aforementioned financial information has not been prepared, in all material respects, in accordance with IAS 34.

In addition to the statements in the previous paragraph, based on our review, nothing has come to our attention which causes us to believe that the aforementioned financial information does not meet, in all material respects, the disclosure provisions under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Special Attention Clause

Without qualifying our above conclusion, we draw attention to Note 7 to the Consolidated Financial Statements as of 31 March 2026, regarding exposure to the certification of class actions against the Company and the Company's exposure to such class actions.

Tel Aviv	Kost Forer Gabbay & Kasierer
19 May 2026	Certified Public Accountants

	Note	As of 31 March 2026	As of 31 March 2025	As of 31 December 2025
		USD in millions	USD in millions	USD in millions
		(Unaudited)	(Unaudited)	(Audited)
Assets				
Current assets				
Cash and cash equivalents		665.9	568.9	503.9
Short-term investments	3	1,266.6	1,065.7	1,484.1
Trade receivables		315.8	309.1	296.3
Trade and other receivables		78.8	79.9	89.4
Derivative financial instruments	5	35.3	10.5	9.0
Prepaid expenses		61.8	54.9	47.7
Inventory		49.2	19.9	21.6
Total current assets		2,473.4	2,108.8	2,452.1
Non-current assets				
Long-term deposits	3	106.2	127.7	107.9
Long-term investments		16.4	31.9	16.9
Deferred tax assets		72.4	85.9	73.1
Right-of-use of leased assets		463.2	528.6	482.8
Fixed and intangible assets	4	1,934.5	1,693.9	1,858.6
Derivative financial instruments	5	8.1	13.0	8.2
Total non-current assets		2,600.8	2,481.0	2,547.6
Total Assets		5,074.2	4,589.8	4,999.8

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

El Al Israel Airlines Ltd.
Condensed Consolidated Statements of Financial Position

	Note	As of 31 March 2026	As of 31 March 2025	As of 31 December 2025
		USD in millions	USD in millions	USD in millions
		(Unaudited)	(Unaudited)	(Audited)
Liabilities and Capital				
Current liabilities				
Current maturities and short-term credit	6	96.0	167.9	144.3
Current maturities due to leases		105.2	112.9	107.1
Loan from the controlling shareholder		-	9.8	-
Trade payables		177.8	199.9	254.2
Trade and other payables		509.7	179.5	255.3
Deferred revenues	8	1,233.7	1,254.0	1,115.5
Provisions	7	64.8	13.4	64.4
Derivative financial instruments		1.4	23.5	37.6
Liabilities for employee benefits		219.4	221.4	245.8
Total current liabilities		2,407.9	2,182.2	2,224.2
Non-current liabilities				
Loans from financial entities	6	502.1	624.8	531.3
Liabilities due to leases		467.7	538.5	493.8
Long-term deferred revenues	8	251.7	240.5	252.4
Long-term other payables		126.9	111.3	135.5
Deferred tax liabilities		210.7	132.2	221.9
Derivative financial instruments		22.6	15.3	21.5
Liabilities for employee benefits		73.6	59.7	71.4
Total non-current liabilities		1,655.2	1,722.4	1,727.6
Total Liabilities		4,063.1	3,904.6	3,951.8
Capital				
Share capital		522.7	502.2	511.5
Premium and capital reserves		670.2	534.6	566.0
Retained loss		(196.6)	(336.0)	(25.5)
Total capital attributable to the shareholders of the Company		996.3	700.8	1,052.1
Non-controlling interests		14.8	(15.6)	(4.1)
Total Capital		1,011.1	685.2	1,048.0
Total Liabilities and Capital		5,074.2	4,589.8	4,999.8

Amikam Ben Zvi - Chairman of the Board	Levy Halevy - CEO	Gil Feldman – CFO

Date of approval of the financial statements: BGA, 19 May 2026.

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

El Al Israel Airlines Ltd.
Condensed Consolidated Statements of Profit and Loss

	Note	For the three-month period ended 31 March 2026	For the three-month period ended 31 March 2025	For the year ended 31 December 2025
		USD in millions	USD in millions	USD in millions
		(Unaudited)	(Unaudited)	(Audited)
Revenues from Operations		562.4	773.7	3,476.0
Operating expenses:				
Fuel		116.6	137.3	584.7
Payroll expenses		203.0	180.9	855.0
Airport fees and services, and air navigation fees		73.0	83.5	364.6
Maintenance		24.7	27.2	128.5
Food, passenger service and other operating costs		59.0	58.6	257.7
Marketing and distribution expenses		39.7	44.9	197.8
Depreciation and amortization		68.5	65.6	272.6
Rentals		17.9	22.1	99.7
IT and HQ expenses		29.9	28.3	140.2
Other expenses (revenues), net	11.B	5.6	(1.3)	24.6
Total operating expenses		638.0	647.1	2,925.5
Operating profit (loss)		(75.6)	126.6	550.5
Financing expenses, net		9.7	6.4	3.6
Profit (loss) before taxes on income		(85.2)	120.1	546.9
Expenses for income on taxes (tax benefit)		(18.5)	24.6	136.6
Net profit (loss) for the period		(66.7)	95.6	410.3
attributable to:				
shareholders of the Company		(68.9)	92.8	403.3
non-controlling interests		2.2	2.8	7.1
		(66.7)	95.6	410.4
Earnings (loss) per ordinary share of par value ILS 0.1 (in USD):				
Basic earnings (loss) per share		(0.122)	0.191	0.764
Diluted earnings (loss) per share		(0.122)	0.171	0.701
Weighted average of number of shares (in millions) used for calculating the earnings (loss) per share:				
Basic		565.7	485.7	528.2
Diluted		565.7	537.0	575.1

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

Condensed Consolidated Statements of Other Comprehensive Income

	For the three-month period ended 31 March		For the year ended 31 December
	2026	2025	2025
	USD in million	USD in million	USD in million
	(Unaudited)		(Audited)
Profit (loss) for the period	(66.7)	95.6	410.3
Other comprehensive income (loss):			
Amounts that will not be carried in the future to profit or loss:			
Gain from remeasurements of a defined benefit plan, net of tax	-	(0.4)	(0.9)
Amounts that will be carried in the future to profit or loss:			
Foreign exchange differences from the translation of foreign operations	0.3	(0.9)	4.3
Gain (loss) from cash flow hedging, net of tax	31.4	(6.1)	(9.6)
Gain (loss) from cash flow hedging – time value, net of tax	1.4	0.2	(1.3)
Other comprehensive income (loss) for the period	33.1	(7.2)	(7.5)
Total comprehensive income (loss) for the period	(33.6)	88.4	402.8
attributable to:			
shareholders of the Company	(35.8)	85.6	395.8
non-controlling interests	2.2	2.8	7.1
	(33.6)	88.4	402.8

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

El Al Israel Airlines Ltd.

Condensed Consolidated Statements of Changes in Capital

	For the three-month period ended 31 March 2026 (Unaudited)									
	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 2026 (audited)	511.5	232.4	12.7	9.5	(3.0)	314.5	(25.5)	1,052.1	(4.1)	1,048.0
Movement during the report period:										
Loss for the period	-	-	-	-	-	-	(68.9)	(68.9)	2.2	(66.7)
Other comprehensive income (loss)	-	-	-	31.4	1.4	0.3	-	33.1	-	33.1
Total comprehensive income (loss) for the period	-	-	-	31.4	1.4	0.3	(68.9)	(35.8)	2.2	(33.6)
Dividend paid (see Nite 9.B)	-	-	-	-	-	-	(102.2)	(102.2)	-	(102.2)
Exercise of stock options (see Note 9.A)	11.2	54.3	(12.7)	-	-	(0.3)	-	52.5	-	52.5
Share-based payment	-	-	-	-	-	2.2	-	2.2	-	2.2
Exercise of stock option to shares of a subsidiary by holders of non-controlling interests (see Note 5.D)	-	-	-	-	-	27.5	-	27.5	16.7	44.2
Total Capital as of 31 March 2026	522.7	286.7	-	40.9	(1.6)	344.2	(196.6)	996.4	14.8	1,011.1

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

El Al Israel Airlines Ltd.

Condensed Consolidated Statements of Changes in Capital (Cont.)

	For the three-month period ended 31 March 2025 (Unaudited)									
	Share capital	Capital reserve from the issuance of shares at a discount and share premium	Capital reserve from the issuance of options	Capital reserve for cash flow hedging	Capital reserve for cash flow hedging – time value	Other capital reserves	Retained losses	Total equity attributable to the shareholders of the parent company	Non-controlling interests	Total
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Balance as of 1 January 2025 (audited)	482.1	107.8	50.8	19.1	(1.7)	316.6	(428.8)	545.8	(18.4)	527.5
Movement during the report period:										
Profit for the period	-	-	-	-	-	-	92.8	92.8	2.8	95.6
Other comprehensive income (loss)	-	-	-	(6.1)	0.2	(1.3)	-	(7.2)	-	(7.2)
Total comprehensive income (loss) for the period	-	-	-	(6.1)	0.2	(1.3)	92.8	85.6	2.8	88.4
Exercise of stock options	20.1	75.5	(26.8)	-	-	(0.9)	-	67.8	-	67.9
Expiry of warrants	-	0.8	(0.8)	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	-	1.6	-	1.6	-	1.6
Total Capital as of 31 March 2025	502.2	184.1	23.2	13.0	(1.5)	315.8	(336.0)	700.8	(15.6)	685.2

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

El Al Israel Airlines Ltd.

Condensed Consolidated Statements of Changes in Capital (Cont.)

	For the year ended 31 December 2025 (Audited)									
	Share capital	Capital reserve from the issuance of shares at a discount and share premium	Capital reserve from the issuance of options	Capital reserve for cash flow hedging	Capital reserve for cash flow hedging – time value	Other capital reserves	Retained losses	Total equity attributable to the shareholders of the parent company	Non-Controlling Interests	Total
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Balance as of 1 January 2025	482.1	107.8	50.8	19.1	(1.7)	316.6	(428.8)	545.9	(18.4)	527.5
Movement during the report year:										
Net profit for the year	-	-	-	-	-	-	403.3	403.3	7.1	410.3
Other comprehensive income (loss)	-	-	-	(9.6)	(1.3)	3.4	-	(7.5)	-	(7.5)
Total comprehensive income (loss) for the year	-	-	-	(9.6)	(1.3)	3.4	403.3	395.8	7.1	402.8
Exercise of stock options	29.5	123.9	(37.3)	-	-	(2.8)	-	113.3	-	113.3
Expiry of warrants	-	0.8	(0.8)	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	-	4.4	-	4.4	-	4.4
Transactions with holders of non-controlling interests in connection with purchase of shares in a subsidiary	-	-	-	-	-	(7.3)	-	(7.3)	7.3	-
Total capital as of 31 December 2025	511.5	232.4	12.7	9.5	(3.0)	314.5	(25.5)	1,052.1	(4.1)	1,048.0

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

El Al Israel Airlines Ltd.
Condensed Consolidated Statements of Cash Flows

	For the three-month period ended 31 March		For the year ended 31 December
	2026	2025	2025
	USD in millions	USD in millions	USD in millions
	(Unaudited)		(Audited)
Cash flows from Operating Activities			
Profit for the period	(66.7)	95.6	410.3
Adjustments required to present the cash flows from operating activities – Annex A	299.2	256.7	635.8
Cash derived from operating activities	232.5	352.3	1,046.2
Cash flows from/for Investing Activities			
Investment in fixed assets (including aircraft, engines and engine overhauls) (see also Note 4.A)	(117.5)	(104.9)	(342.1)
Proceeds from the sale of fixed assets	0.2	0.4	2.1
Investment in intangible assets	(9.2)	(5.2)	(37.6)
Investment in financial assets, net	(27.9)	-	(153.9)
Proceeds from (investment in) deposits, net	236.2	(183.5)	(374.5)
Cash generated from (used in) investing activities	81.9	(293.2)	(906.0)
Cash flows used for Financing Activities			
Exercise of stock options, net of exercise costs	52.3	68.3	113.5
Repayment of a loan from the Controlling Shareholder	-	-	(9.8)
Repayment of loans from financial institutions (see Note 6.C)	(58.7)	(35.6)	(154.4)
Repayment of lease liabilities	(32.8)	(36.3)	(118.0)
Dividend paid to the shareholders	(102.2)	-	-
Decrease in short-term credit, net	(19.4)	(0.6)	(0.5)
Exercise of stock option to shares of a subsidiary (see Note 5.D)	7.7	-	-
Cash used in financing activities	(153.0)	(4.2)	(169.1)
Effect of exchange rate changes on cash balances held in foreign currencies	0.5	1.2	20.1
Increase (decrease) in cash and cash equivalents	162.0	56.1	(8.9)
Cash and cash equivalents at the beginning of the period	503.9	512.8	512.8
Cash and cash equivalents at the end of the period	665.9	568.9	503.9

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

	For the three-month period ended 31 March		For the year ended 31 December
	2026	2025	2025
	USD in millions	USD in millions	USD in millions
	(Unaudited)		(Audited)
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 consumables)	44.5	40.7	176.2
Depreciation on right-of-use assets for leased properties	24.0	24.9	96.5
Expenses for income on taxes (tax benefit)	(19.0)	24.2	135.3
Increase (decrease) in employee benefit liabilities	(24.3)	(4.2)	31.2
Revaluation of financial instruments at fair value through profit or loss (see Notes 3 and 5)	5.5	-	(20.3)
Proceeds from sale of derivative instruments designated at hedge accounting (see Note 5.B)	17.3	-	-
Increase (decrease) in provisions	0.3	-	51.1
Adjustments for financing expenses	4.8	14.4	6.5
Other changes	3.3	(0.6)	7.7
	56.4	99.5	484.1
Changes in asset and liability items:			
Decrease (increase) in trade and other receivables	(3.9)	2.1	(3.2)
Increase in deferred revenues	111.4	145.4	0.3
Increase in trade and other payables (see Note 10.C)	174.9	20.3	157.2
Increase in prepaid expenses	(12.1)	(11.5)	(1.8)
Decrease (increase) in inventory (see Note 5.B)	(27.6)	1.0	(0.8)
	242.8	157.3	151.7
	299.2	256.7	635.8
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)	16.1	17.2	63.0
Interest proceeds	26.2	16.1	73.1
Taxes paid	7.5	0.4	1.0

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

[1] The Company classifies cash flows from interest and dividends received thereby, as well as cash flows from interest paid, as cash flows that are used or derived from operating activities. See Note 2.B. to the Annual Financial Statements on the publication of IFRS 18.
[2] Including interest for lease liabilities in accordance with IFRS 16 "Leases".
[3] In 2026, the interest payments also include the component of the accounting discount paid, in the sum of approx. USD 2.2 million for prepayment of part of the Phoenix loan.

Note 1 – General

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

The Condensed Financial Statements should be reviewed in the context of the Company's consolidated financial statements as of 31 December 2025, and for the year then ended, and the notes attached thereto (the "**Annual Financial Statements**").

B. The business environment in which the Group operates and the impact of Operation Roaring Lion

Further to Note 1.B. to the Annual Financial Statements, in January and February 2026, the trend of increased demand for the Group's flights relative to seasonality continued, albeit at a reduced rate compared to the same months in 2025, against the backdrop of the renewed traffic by foreign airlines.

Upon the launch of Operation Roaring Lion ("**Operation Roaring Lion**" or the "**Operation**") on 28 February 2026, the Israeli airspace closed, including BGA, and the Group's scheduled flight operations were resultingly suspended. From that time, the Group operated in accordance with the directives of the defense and aviation authorities, which changed from time to time, at a limited scope of activity, and in accordance with security developments. The Operation lasted ~40 days and ended on 9 April 2026. On 10 April 2026, the Group began gradually resuming its flight operations until a full return to normal activity in early May 2026.

As such, the Company estimated that on days in which no flight activity took place at all, the direct damage as a result thereof amounted to a total of approx. USD 4 million per operating day. As stated above, during part of the period, the Company operated a number of flights at a varying scope of activity and in accordance with the restrictions on the permitted quantity of passengers, such that the said direct damage was relatively smaller throughout the period.

In the Company's estimation, the damage to the Group's profit (after tax) due to the suspension of operations and additional costs borne by the Group, including a provision (reduction of revenue) for passenger compensation as detailed in Note 10.B below, totals approx. USD 145 million, of which approx. USD 90 million were reflected in the results for Q1/2026 and the remaining balance is expected to impact the results for Q2. For further details regarding the impact of the Operation on the Group's results, see Note 10 below.

Note 2 – Significant Accounting Policies

The basis for the preparation of the Financial Statements

The Group's Condensed **Consolidated** Financial Statements ("**Interim Financial Statements**") were prepared in accordance with IAS 34 – Interim Financial Reporting ("**IAS 34**"), and in accordance with the disclosure provisions pursuant to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

In the preparation of these Interim Financial Statements the Group has applied the accounting policy, rules of presentation and methods of calculation identical to those used in the preparation of its Financial Statements as of 31 December 2025 and for the year then ended.

Note 3 – Short-term Investments and Long-term Deposits

A. Composition:

	As of 31 March		As of 31 Dec.
	2026	2025	2025
	USD in millions	USD in millions	USD in millions
Short-term Investments:	(Unaudited)		(Audited)
Deposits in banks for a term exceeding 3 months and money market funds	1,030.9	1,065.7	1,271.1
Investments in financial assets:			
Investment in shares	119.3	-	101.9
Investment in bonds	56.6	-	50.7
Investment in mutual funds	7.4	-	8.5
Total investments in financial assets	183.3	-	161.0
Fair value of phantom option granted by Cal	52.5	-	52.0
Total short-term Investments	1,266.6	1,065.7	1,484.1
Long-term Deposits:			
Long-term deposits with banks	25.0	40.0	25.0
Deposits with service providers	9.8	9.3	9.7
Deposits provided by the Group as collateral for aircraft lease agreements	71.4	78.3	73.2
Total long-term Deposits	106.2	127.7	107.9

B. **The balance of the Group's cash and readily available liquid assets as of 31 March 2026:**
The Group has a cash and cash equivalents balance as of 31 March 2026 of approx. USD 665.9 million. Moreover, the Group has a total of approx. USD 1,030.9 million invested in short-term deposits (with banks), approx. USD 183.3 million invested in financial assets as specified in Section A above, as well as approx. USD 25.0 million invested in long-term deposits (with banks), all of which are not classified as cash and cash equivalents according to the accounting principles, yet constitute liquid balances that may be used by the Group within a relatively short period of time. Accordingly, the Group's liquid assets as of 31 March 2026 total approx. USD 1,905.1 million.

Note 4 – Fixed Assets and Leases

A. Expansion of the narrow-body Boeing 737 aircraft fleet

Further to Note 10.E to the Annual Financial Statements, in Q1/2026, two Boeing 737-800 aircraft specified in that Note were delivered to the Company.

B. Expansion of the wide-body 787 Dreamliner aircraft fleet

Further to Note 10.B to the Annual Financial Statements, on 15 April 2026, after the date of the Statement of Financial Position, the Company signed an addendum to the agreement it had signed with Boeing in April 2024 (the "**2024 Agreement**"), pursuant to which the Company exercised the options it held under the 2024 Agreement to acquire six Boeing 787-9 aircraft and converted four aircraft of this model into Boeing 787-10 aircraft which is the bigger model.

These aircraft are expected to be delivered to the Company between 2030 and 2032. The estimated acquisition cost of the option aircraft, as at their future delivery dates, including the additional cost in respect of the aforesaid aircraft conversion and the cost of spare engines, is expected to amount to approx. USD 1.5 billion, all subject also to the engine type, price adjustments applicable at the future delivery dates and credits to be granted to the Company. The acquisition cost does not include the Company's expected costs in respect of routine maintenance of engines and other spare parts.

Furthermore, the Company was granted additional options to acquire up to six additional 787 aircraft. Insofar as the additional options are exercised, these aircraft are expected to be delivered to the Company between 2033 and 2035.

Note 5 – Derivative Financial Instruments

A. **Changes in the fair value of financial instruments measured at fair value:**

Below are the changes in the fair value of jet fuel hedging transactions, foreign exchange rate hedging transactions, and interest rate hedging transactions, all measured at fair value, as well as their effect on profit and loss, other comprehensive income, and cash flows:

	For the three-month period ended 31 March 2026 (Unaudited)				
	Effect on profit and loss for the period	Effect on other comprehensive income for the period	Total effect on the Group's equity	Cash flows from derivatives	Increase in asset/decrease in liability (Decrease in asset/increase in liability)
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Balance as of 1 January 2026					(5.4)
Jet fuel derivatives:					
Revaluation of transactions designated as hedging instruments for accounting purposes	-	58.5	58.5	-	58.5
Payment in respect of transactions designated as hedging instruments for accounting purposes; see Note 5.B. below	10.0	(15.4)	(5.4)	32.7	(32.7)
Loss from premiums due to the expiration of derivatives designated as hedging instruments	(1.2)	1.2	-	-	-
Premium payments for hedging instruments	-	-	-	(1.6)	1.6
Total movement in jet fuel derivatives	8.7	44.4	53.1	31.2	27.3
Interest rate derivatives:					
Revaluation of transactions designated as hedging instruments for accounting purposes	-	1.8	1.8	-	1.8
Payment in respect of transactions designated as hedging instruments for accounting purposes	1.8	(1.8)	-	1.8	(1.8)
Effect of hedging on the provision for interest payable	(0.1)	0.1	-	-	-
Total movement in interest rate derivatives	1.7	0.1	1.8	1.8	-
Foreign exchange derivatives:					
Revaluation of transactions designated as hedging instruments for accounting purposes	-	0.4	0.4	-	0.4
Payment in respect of transactions designated as hedging instruments for accounting purposes	2.3	(2.3)	-	2.3	(2.3)
Revaluation of hedging transactions for loans in JPY	(0.9)	0.9	-	-	-
Interest adjustment in respect of hedging for loans in JPY	(0.5)	-	(0.5)	-	(0.5)
Total movement in foreign exchange derivatives	0.9	(1.0)	(0.1)	2.3	(2.5)
Total movement in derivatives	11.3	43.4	54.7	35.3	24.8
Balance as of 31 March 2026					19.4

Note 5 – Derivative Financial Instruments (Cont.)

A. Changes in the fair value of financial instruments measured at fair value (Cont.):

	For the three-month period ended 31 March 2025 (Unaudited)				
	Effect on profit and loss for the period	Effect on other comprehensive income for the period	Total effect on the Group's equity	Cash flows from derivatives	Increase in asset/decrease in liability (Decrease in asset/increase in liability)
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Balance as of 1 January 2025					13.1
Jet fuel derivatives:					
Revaluation of transactions designated as hedging instruments for accounting purposes	-	(1.2)	(1.2)	-	(1.2)
Payment in respect of transactions designated as hedging instruments for accounting purposes	(0.3)	0.3	-	(0.3)	0.3
Loss from premiums due to the expiration of derivatives designated as hedging instruments	(1.8)	1.8	-	-	-
Premium payments for hedging instruments	-	-	-	(1.5)	1.5
Total movement in jet fuel derivatives	(2.0)	0.8	(1.2)	(1.7)	0.5
Interest rate derivatives:					
Revaluation of transactions designated as hedging instruments for accounting purposes	-	(2.8)	(2.8)	-	(2.8)
Payment in respect of transactions designated as hedging instruments for accounting purposes	2.8	(2.8)	-	2.8	(2.8)
Effect of hedging on the provision for interest payable	(0.1)	0.1	-	-	-
Total movement in interest rate derivatives	2.7	(5.5)	(2.8)	2.8	(5.5)
Foreign exchange derivatives:					
Revaluation of transactions designated as hedging instruments for accounting purposes	-	(0.5)	(0.5)	-	(0.5)
Payment in respect of transactions designated as hedging instruments for accounting purposes	0.3	(0.3)	-	0.3	(0.3)
Revaluation of hedging transactions for loans in JPY	2.7	(2.3)	0.3	-	0.3
Interest adjustment in respect of hedging for loans in JPY	(0.5)	-	(0.5)	-	(0.5)
Total movement in foreign exchange derivatives	2.5	(3.1)	(0.6)	0.3	(0.9)
Total movement in derivatives	3.2	(7.7)	(4.6)	1.3	(5.9)
Balance as of 31 March 2025					7.2

Note 5 – Derivative Financial Instruments (Cont.)

A. Changes in the fair value of financial instruments measured at fair value (Cont.):

	For the year ended 31 December 2025 (Audited)				
	Effect on profit and loss for the year	Effect on other comprehensive income for the year	Total effect on the Group's equity	Cash flows from derivatives	Increase in asset/decrease in liability (Decrease in asset/increase in liability)
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Jet fuel derivatives:					
Jet fuel derivative balance as of 1 January 2025		(2.7)			1.4
Revaluation of transactions designated as hedging instruments for accounting purposes	-	(9.6)	(9.6)	-	(9.6)
Payment in respect of transactions designated as hedging instruments for accounting purposes	(1.9)	1.9	-	(1.9)	1.9
Loss from premiums due to the expiration of derivatives designated as hedging instruments	(6.6)	6.6	-	-	-
Premium payments for hedging instruments	-	-	-	(5.1)	5.1
Total movement in jet fuel derivatives	(8.5)	(1.1)	(9.6)	(7.1)	(2.5)
Jet fuel derivative balance as of 31 December 2025		(3.8)			(1.1)
Interest rate derivatives:					
Interest rate derivative balance as of 1 January 2025		25.9			27.0
Revaluation of transactions designated as hedging instruments for accounting purposes	-	(2.8)	(2.8)	-	(2.8)
Payment in respect of transactions designated as hedging instruments for accounting purposes	10.1	(10.1)	-	10.1	(10.1)
Effect of hedging on the provision for interest payable	(0.6)	(0.6)	-	(0.0)	0.0
Total movement in interest rate derivatives	9.5	(12.3)	(2.8)	10.1	(12.9)
Interest rate derivative balance as of 31 December 2025		13.6			14.1
Foreign exchange derivatives:					
Foreign exchange derivative balance as of 1 January 2025		0.1			(15.3)
Revaluation of transactions designated as hedging instruments for accounting purpose	-	6.1	6.1	-	6.1
Payment in respect of transactions designated as hedging instruments for accounting purposes	2.9	(2.9)	-	2.9	(2.9)
Revaluation of hedging transactions for loans in JPY	0.6	(5.0)	(4.4)	-	(4.4)
Interest adjustment in respect of hedging for loans in JPY	(2.0)	-	(2.0)	-	(2.0)
Total movement in foreign exchange derivatives	1.5	(1.8)	(0.2)	2.9	(3.1)
Foreign exchange derivative balance as of 31 December 2025		(1.7)			(18.4)
Balance as of 31 December 2025		8.1			(5.4)

Note 5 – Derivative Financial Instruments (Cont.)

B. Early settlement of some of the jet fuel hedging transactions:

In March 2026, the Company sold some of its jet fuel hedging transactions for the period between June and December 2026, through the early settlement of hedging transactions for approx. USD 17.3 million in cash proceeds received in the Company. The hedging income from the settled transactions will be recognized in the Statement of Profit and Loss and will reduce jet fuel expenses in accordance with the original settlement date of the settled transactions, which corresponded to the forecast timing of the hedging items (purchase of jet fuel throughout the period), such that in Q2/2026, Q3/2026, and Q4/2026 of 2026, hedging income (as noted, a reduction in fuel expenses) totaling approx. USD 3.5 million, approx. USD 9.5 million, and approx. USD 4.3 million, respectively, will be recognized.

At the beginning of April 2026, after the date of the Statement of Financial Position, the Company sold some additional transactions hedging its jet fuel for those months, through early settlement as described above for an additional amount of approx. USD 3.0 million, which is expected to reduce its jet fuel expenses in Q2/2026, Q3/2026, and Q4/2026 by approx. USD 0.9 million, approx. USD 1.4 million, and approx. USD 0.7 million, respectively.

C. Recognition of income from some of the hedging transactions as a reduction in inventory cost:

Furthermore, part of the jet fuel purchase in March 2026, which constituted a hedged item for hedge accounting purposes, was purchased into the inventory balance as of 31 March 2026 and consumed during Q2/2026. Accordingly, some of the jet fuel hedging income received for fuel purchases in March 2026, in the sum of approx. USD 5.4 million, were recorded in the Statement of Financial Position as of 31 March 2026 as a reduction in the cost of inventory, and will be recognized as income (a reduction in fuel expenses) in the Statement of Profit and Loss upon utilization of the inventory in Q2/2026.

D. Exercise of the Phoenix option for the purchase of 5.1% of the FF Company:

Further to Notes 14.C. and 19.G. to the Annual Financial Statements, in Q1/2026, the Phoenix Insurance Company Ltd. exercised its right to purchase shares of the FF Company at a rate of 5.1% of the issued and paid-up share capital of the FF Company in consideration for approx. USD 7.7 million. Following the exercise of the option, the Phoenix Group holds 25% of the issued and paid-up share capital of the FF Company.

Accordingly, the Group recognized an increase in the capital reserve for transactions with non-controlling interest holders in the sum of approx. USD 27.5 million.

E. Currency risk in respect of JPY-denominated loans:

Further to Note 19.E.(2) to the Annual Financial Statements, on 30 March 2026, the Group entered into a cash flow swap transaction in order to lock in the JPY exchange rate applicable to certain components of its loans, in respect of debt in the amount of approx. USD 17.0 million.

Note 6 – Loans

A. Outstanding loan balance-to-collateral value ratio:

Further to Note 14.F. to the Annual Financial Statements, as of 31 March 2026, under the relevant credit agreements, the Company is in compliance with the financial covenants relating to the outstanding balance-to-collateral value (LTV).

B. Fair value of loans:

	As of 31 March 2026		As of 31 March 2025		As of 31 Dec. 2025	
	(Unaudited)		(Unaudited)		(Audited)	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions	USD in millions
Fixed-rate loans from financial institutions	134.7	122.8	211.6	199.4	172.6	162.5

The fair value of the loans is based on a calculation of the present value of cash flows according to the interest rate curve at that time (Level 2 – based on observable inputs). Except for the loans detailed in the table above, the fair value of the other financial assets and financial liabilities is approximately equal to their book value.

C. Further to Note 14.C. to the Annual Financial Statements, in February 2026, the Group prepaid the Phoenix loan balance in the amount of approx. USD 35.5 million, which includes principal and accrued interest. In respect of the aforesaid prepayment, the Group recognized a loss of approx. USD 2.2 million in financing expenses.

Note 7 – Legal Proceedings

As of 31 March 2026, claims and legal contingencies in an aggregate amount of approx. USD 1,230 million pending against the Group, as well as additional legal claims that have not been quantified in monetary terms at this stage. In respect of these claims and legal contingencies, the Group recognized a provision in the financial statements in an aggregate amount of approx. USD 64.8 million. In the opinion of the Group's management, which is based, *inter alia*, on the opinion of its legal advisors, no exposure to any additional loss is expected in respect of the aforesaid claims beyond the amounts of the provisions included in these financial statements.

Further to Note 16.B(6) to the Annual Financial Statements, regarding a judgment rendered on 7 January 2026, by the Central District Court, which denied the certification motion filed against the Company, claiming that the Company abused its position as a declared monopoly on the Tel Aviv–Mumbai route by charging time-sensitive passengers a high unfair price, on 18 May 2026, after the date of the Statement of Financial Position, the Company received an appeal against the judgment, filed with the Supreme Court by the petitioner in the certification motion. The Company is studying the appeal.

Note 8 – Revenues from Operations and Deferred Revenues

A. Revenues from operations

Composition:

	For the three-month period ended 31 March		For the year ended 31 December
	2026	2025	2025
	USD in millions	USD in millions	USD in millions
	(Unaudited)		(Audited)
Passenger revenues:			
Revenues from passengers on scheduled flights	442.4	654.0	2,993.7
Revenues from direct ancillary services related to flights	37.0	36.6	167.2
Total revenues **from passenger transport**	479.4	690.6	3,160.9
Cargo transport revenues:			
Revenues from cargo transport by passenger aircraft	22.7	37.7	133.5
Revenues from cargo transport by cargo aircraft	25.8	22.6	72.9
Additional cargo revenues	2.2	1.4	6.6
Total cargo transport revenues	50.6	61.7	213.0
Total passenger and cargo transport revenues	530.0	752.3	3,373.9
Related revenues:			
Revenues in respect of loyalty program component **(1)**	15.7	6.7	38.2
Food sales to external parties	7.7	6.0	28.8
Revenues from sale of duty-free products	4.5	5.0	20.3
Maintenance services to external parties	3.1	2.2	10.8
Other related revenues	1.4	1.5	4.1
Total related revenues	32.5	21.4	102.1
Total revenues from operation	562.4	773.7	3,476.0

(1) Revenues in respect of the loyalty program component include revenues originating from the sale of points to business partners (primarily, in respect of the accrual of points through purchases made with Fly Card branded credit cards) reflecting the consideration received in respect of the accrual of such points, net of the liability arising in respect of such points

Note 8 – Revenues from Operations and Deferred Revenues (Cont.)

Passenger and cargo transport revenues by geographic regions:

	For the three-month period ended 31 March		For the year ended 31 December
	2026	2025	2025
	USD in millions	USD in millions	USD in millions
America	216.7	318.6	1,388.3
Europe	218.4	318.4	1,533.7
Asia and Africa	94.9	115.4	451.9
Total passenger and cargo transport revenues	530.0	752.3	3,373.9

B. Deferred revenues

Current liabilities:	As of 31 March		As of 31 Dec.
	2026	2025	2025
	USD in millions		USD in millions
	(Unaudited)		(Audited)
In respect of flight ticket sales	898.4	966.7	810.3
In respect of vouchers	122.6	108.5	106.7
In respect of FFP points	200.8	164.5	189.3
Bonuses from credit card companies	6.4	6.5	4.7
Other	5.5	7.8	4.6
Total	1,233.7	1,254.0	1,115.5

Non-Current liabilities	As of 31 March		As of 31 Dec.
	2026	2025	2025
	USD in millions		USD in millions
	(Unaudited)		(Audited)
In respect of FFP points	96.7	77.6	90.9
Bonuses from credit card companies	0.7	8.0	6.9
Transport of aviation security personnel	154.4	154.9	154.5
Total	251.7	240.5	252.4

Note 9 – Capital, Retained Earnings, and Share-Based Payment

A. Exercise of Series 3 Warrants

Further to Note 18.D. to the Annual Financial Statements, during the three-month period ended 31 March 2026, 34,707,187 Series 3 Warrants were exercised for 34,707,187 shares of par value ILS 1, in consideration for an exercise price of approx. USD 52.8 million. On the same day, the remaining 3,525 Series 3 Warrants expired.

B. Dividend Distribution

Further to Note 18.G. to the Annual Financial Statements, on 5 January 2026, the Company's board of directors resolved to distribute dividend in the sum of 57 agorot per ordinary share of par value ILS 1. The record date for the purpose of the dividend distribution was 16 January 2026. The dividend was distributed on 27 January 2026. The dividend totaled approx. ILS 323 million (approx. USD 102 million)

Note 10 – Impact of Operation Roaring Lion

A. As set out in Note 1.B. above, in the Company's estimation, the total damage to the Group's profit (before tax effects) due to the suspension of operations and additional costs incurred by the Group (such as aircraft parking abroad, crew stays, etc.), including a provision (revenue reduction) in respect of passenger compensation as detailed in Note 10.B below, is estimated at approx. USD 190 million, of which approx. USD 120 million were reflected in the results of Q1/2026 and the remainder of the amount is expected to affect the results of Q2.

B. Further to Note 12(2) to the Annual Financial Statements, addressing, *inter alia*, a provision (revenue reduction) in respect of passenger compensation in accordance with the Aviation Services Law (Compensation and Assistance for Flight Cancellation or Change of Conditions), 5772-2012, in view of Operation Rising Lion that took place in June 2025, the Group made an additional provision (revenue reduction) in respect of this item in view of the Operation and based on the opinion of its legal advisors.

C. The balance of trade and other payables includes, *inter alia*, approx. USD 232.8 million, most of which was refunded to customers after the date of the Statement of Financial Position, as a result of flight cancellations due to the Operation.

Note 11 – Strategic Agreement with Isracard for the Issuance of Fly Card Branded Credit Cards and Termination of Engagement with "Cal"

A. Strategic Agreement with Isracard for the Issuance of Fly Card Branded Credit Cards

On 26 March 2026, the FF Company signed a strategic agreement with Isracard Ltd. and Premium Express Ltd., under which Isracard shall issue Bronze and Premium Fly Card branded credit cards to Matmid Frequent Flyer Program (FFP) members. The term of the agreement is 10 years as of 1 April 2026. Such strategic agreement is expected to increase the FF Company's revenues from the Fly Card operations and, in this context, it is expected to positively affect the Group's business results, and accordingly, an additional positive contribution to the Group's profitability is expected, the annual average of which throughout the years of the agreement is estimated as ranging between approx. ILS 100 million and ILS 130 million (pre-tax). This strategic agreement is expected to expand the FFP operations, improve and upgrade the experience of customers in Israel and worldwide, and increase the revenue from the operations throughout the term of the agreement. Fly Card is one of Israel's largest loyalty programs, with some 530 thousand cardholders and ~3.6 million FFP members. The said agreement is a key strategic move for the Group, expected to drive significant growth in the upcoming years, improve its profitability, and generate great value for its customers.

B. Understandings regarding Early Termination of the Cooperation between the FF Company and "Cal" for the Issuance of Fly Card Branded Credit Cards

On 26 March 2026, the FF Company notified Cal of the exercise of its right for early termination of the cooperation agreement dated 11 December 2018 for the issuance of Fly Card branded credit cards (the "**Original Agreement**"), effective as of 31 December 2026 (the "**Termination Notice**"). Shortly after the Termination Notice, Cal sent the Company and the FF Company a letter of demand prior to legal action, raising various allegations of breach of the Agreement by them, and also filed an *ex parte* application with the District Court in Tel Aviv-Jaffa seeking an injunction and a temporary restraining order, alleging various breaches, which application was denied in full by the Court.

Further to the above and in view of additional mutual allegations of breach by the parties, the parties referred the matter to arbitration proceedings, and, at the arbitrator's direction, to mediation proceedings. In the mediation proceedings, the parties reached comprehensive understandings regarding the termination of the engagement and the settlement of all claims raised by them against one another. Among other things, it was agreed that certain provisions of the Original Agreement would terminate early as of 4 June 2026, such that the FF Company may market and issue all types of cards to all Fly Card customers without any restriction. In view of such early termination, the FF Company shall pay Cal one-time compensation for marketing bonuses received in the period preceding the date of the Termination Notice in the sum of ILS 22.75 million (recognized as other expenses in the Statement of Profit and Loss for the three-month period ended 31 March 2026).

Note 11 – Strategic Agreement with Isracard for the Issuance of Fly Card Branded Credit Cards and Termination of Engagement with "Cal" (Cont.)

It was further agreed that notwithstanding the early termination on 4 June 2026, the FF Company will be entitled to continue receiving royalties also after such early termination date, through the end of 2026. Concurrently, in consideration for Cal's commitment to continue operating the credit cards after 4 June 2026, Cal shall be entitled to operating fees, which shall be paid by way of offset against the royalty payments to which the FF Company will be entitled during that period, in an aggregate amount of approx. ILS 51.75 million, to be recognized in the Statement of Profit and Loss through the end of 2026. For details regarding the strategic agreement with Isracard for the issuance of Fly Card branded credit cards and its contribution to the Group's profitability during the agreement period, see Note 11.A.

Note 12 – Interested Parties and Related Parties

For further details regarding engagements and agreements that are in effect, see Note 21 to the Annual Financial Statements.

In addition, for details regarding share-based payment, see Note 18 to the Annual Financial Statements.

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19 May 2026

To

The Board of Directors of El Al Israel Airlines Ltd. (the "**Company**")
P.O.B 41, Ben Gurion Airport

Re: **Letter of Consent in relation to the August 2023 Shelf Prospectus of El Al Israel Airlines Ltd.**

We hereby inform you that we agree to the inclusion (including by way of reference) of our report as specified below in relation to the shelf prospectus released in August 2023:

1. The auditor's review report of 19 May 2026 on the Condensed Consolidated Financial Statements of the Company as of 31 March 2026 and for the three-month period then ended.

Sincerely,

Kost Forer Gabbay & Kasierer
Accountants

Chapter C

Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure

El Al Israel Airlines Ltd.

Unaudited Financial Statements as of 31 March 2026

Attached hereto is the Q1/2026 report on the effectiveness of internal control over financial reporting and disclosure under Section 38C(a) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970:

Management, overseen by the board of directors of El Al Israel Airlines Ltd. (the "**Corporation**"), is responsible for the establishment and implementation of appropriate internal controls over financial reporting and disclosure in the Corporation.

For this purpose, the members of management as of shortly before approval of the report are:

- Levy Halevy, Chief Executive Officer.
- Gil Feldman, Chief Financial Officer.
- Sharon Brownstone Zait, VP, General Counsel and Risk Officer.
- Limor Bouzaglo, VP Human Resources and Administration.
- Shlomo Karako, VP Maintenance and Engineering.
- Hovav Ben-David, VP Flight Operations.
- Nadav Hanin, VP Marketing & Digital and Acting VP Customers & Service.
- Shlomo Natan Zafrany, VP Commerce and Sales.
- Assaf Gal, VP Information Technology

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 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.

In the annual report on the effectiveness of internal control over financial reporting and disclosure attached to the periodic report for the period ended 31 December 2025 (the "**Last Annual Report on Internal Control**"), the board of directors and management assessed the internal control in the Corporation; based on this assessment, the Corporation's board of directors and management have reached the conclusion that such internal control as of 31 December 2025 is effective.

By the date of the report, no event or matter that may change the assessment of the effectiveness of internal control, as presented in the Last Annual Report on Internal Control, has been brought to the attention of the board of directors and management;

As of the date of the report, based on the assessment of the effectiveness of the internal control in the Last Annual Report on Internal Control, and based on information brought to the attention of the management and board of directors as noted above, the internal control is effective.

(a) Statement by the Chief Executive Officer under Section 38C(d)(1) of the Regulations:

Executive Statement

Statement by the Chief Executive Officer

I, Levy Halevy, do hereby state that:

1. I have reviewed the quarterly report of El Al Israel Airlines Ltd. (the "**Corporation**") for Q1/2026 (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 up-to-date assessment with respect to 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 under my supervision of controls and procedures, 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 under my supervision of controls and procedures, which are intended to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, *inter alia*, in accordance with generally accepted accounting principles;
    c. No event or matter that occurred during the period between the last periodic report as of 31 December 2025 and the date of this report has been brought to my attention, which may change the conclusion of the board of directors and management with respect to the effectiveness of internal control over financial reporting and disclosure of the Corporation.

The foregoing does not derogate from my responsibility or the responsibility of any other person, pursuant to any law.

19 May 2026 — Levy Halevy, CEO

(B) STATEMENT BY THE MOST SENIOR FINANCIAL OFFICER UNDER SECTION 38C(D)(2) OF THE REGULATIONS:

Executive Statement

Statement by the Most Senior Financial Officer

I, Gil Feldman, do hereby state that:

1. I have reviewed the interim financial statements and the other financial information included in the interim reports of El Al Israel Airlines Ltd. (the "**Corporation**") for Q1/2026 (the "**Reports**").

2. To my knowledge, the interim 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 interim financial statements and other financial information included in the interim 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 up-to-date assessment with respect to 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 interim financial statements and to the other financial information included in the interim 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 under my supervision of controls and procedures, 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 under my supervision of controls and procedures, which are intended to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, *inter alia*, in accordance with generally accepted accounting principles;
   c. No event or matter that occurred during the period between the last periodic report as of 31 December 2025 and the date of this report, relating to the interim financial statements and to any other financial information included in the interim reports, has been brought to my attention, which may change in my estimation the conclusion of the board of directors and management with respect to the effectiveness of internal control over financial reporting and disclosure of the Corporation.

The foregoing does not derogate from my responsibility or the responsibility of any other person, pursuant to any law.

19 May 2026 ______________________ Gil Feldman, CFO