Challenge Group

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
PERIOD ENDED 30 JUNE 2026

CHALLENGE AVIATION HOLDING LIMITED

Contents

Directors' report

The directors present their report and the condensed consolidated interim financial statements for the period ended 30 June 2026.

Principal activity

Challenge Aviation Holding Limited is registered in Malta as a limited liability company under the Companies Act, (Cap. 386) with registration number C 74987. The Company was incorporated in Malta on 28 March 2016. The Company's activity, which remains unchanged since last year, is the holding of investments in subsidiaries. The Group's primary activity is the leasing of aircraft, focusing on wide-body freighters and aircraft engines to global airlines and cargo operators.

Review of the business

During the period ended 30 June 2026, Challenge Aviation Holding Limited continued to strengthen its position as a leading lessor of wide-body freighters and aircraft engines in the global aviation market. The Group's profit after tax amounted to USD 1,828,971 (30 June 2025: USD 5,306,836).

Fleet and Operations

As at 30 June 2026, the Group's fleet comprised 10 cargo freighters, 4 passenger aircraft in the process of being converted and 8 spare aircraft engines. The fleet remains fully operational, reflecting strong demand from airline and cargo operators. The Group maintained rigorous maintenance and safety programs to ensure all aircraft and engines complied with international aviation standards.

Market Trends and Strategy

The global air cargo market continued to show resilience, driven by e-commerce growth and supply chain expansion. Demand for wide-body freighters remained robust, with airlines holding more capacity. The Group strategically focused on acquiring and leasing mid-life freighters and high-demand engines, positioning itself to benefit from market trends and evolving airline requirements.

Financial and Operational Highlights

- Revenue from aircraft and spare engine leasing increased by 25% compared to the prior period;
- During the period, the Company reported EBITDA of USD 23.3 million (30 June 2025: USD 18.1 million);
- Spare engine leasing contributed to 15% of total revenue, demonstrating a strong market demand for spare engine leasing;
- During the period ended 30 June 2026, investment in fleet expansion and modernisation amounted to USD 59 million (30 June 2025: USD 56 million), ensuring long-term competitiveness;
- No aircraft or engine disposals occurred during the period, maintaining fleet size and capability.

Outlook

Looking ahead, the Group expects sustained demand for air cargo services and aircraft leasing. Strategic focus will remain on fleet optimisation, long-term lease agreements, and risk management, including monitoring credit exposures and market conditions. The Board remains confident in the Group's ability to deliver steady returns and enhance shareholder value while maintaining operational excellence.

Directors' report (continued)

Risk assessment

The Group is exposed to risks inherent to the aviation leasing industry and the broader financial environment. These risks can be summarised as follows:

(i) Strategic risk

Strategic risks include market demand fluctuations for cargo aircraft, lease rate volatility, and competition from other lessors. The Group mitigates these risks by maintaining a diversified portfolio of wide-body freighters, securing long-term lease contracts, and regularly reviewing market trends.

(ii) Operational risk

Operational risks include aircraft maintenance, technical failures, regulatory compliance, and lessee performance. The Group manages these risks through comprehensive maintenance programs, strict safety and compliance policies, and continuous monitoring of lessee creditworthiness.

(iii) Financial risk

The Group's activities potentially expose it to financial risks, namely market risk (including cash flow interest rate risk), credit risk, and liquidity risk.

(iv) Residual value

Aircraft and engine residual values may fluctuate due to market conditions. The Group mitigates this by:

- Diversifying the fleet across aircraft types, models, and age.
- Performing regular market valuations to inform asset management decisions.
- Leasing primarily to operators with established financial strength to reduce repossession risk.

The Board reviews risk management strategies regularly and ensures that internal controls are in place to minimise exposure to these risks while supporting sustainable growth.

Results and dividends

The condensed consolidated statement of comprehensive income is set out on page 6. During 2026, the directors did not recommend a payment of a dividend.

Directors' report (continued)

Directors

The directors of the Company who held office during the period were:

Yossi Shoukroun
Colin Gregory
Didier Fernand P. Henet

Under the provisions of the Company's Memorandum and Articles of Association, the present directors continue in office.

The Company secretary during the period was Sarah Abela.

Colin Gregory
Director

Didier Fernand P. Henet
Director

Registered office:
Level 5, Skyparks Business Centre,
Malta International Airport,
Luqa, LQA 4000,
Malta

25 August 2026

Condensed Consolidated interim statement of financial position

		As at 30 June	As at 31 December
		2026	2025
		USD	USD
ASSETS	Notes	**Unaudited**	Audited
Non-current assets			
Property, plant and equipment	3	**370,918,468**	329,022,651
Other financial assets at amortised cost	4	**35,261,634**	24,838,214
Trade and other receivables	5	**3,695,170**	17,997,446
Deferred tax asset		**103,171**	-
Total non-current assets		**409,978,443**	371,858,311
Current assets			
Other financial assets at amortised cost	4	**89,372**	92,164
Trade and other receivables	5	**188,307,438**	73,675,506
Cash and cash equivalents		**8,907,728**	6,050,442
Total current assets		**197,304,538**	79,818,112
Total assets		**607,282,981**	451,676,423

Condensed Consolidated interim statement of financial position (continued)

	Notes	As at 30 June 2026 USD Unaudited	As at 31 December 2025 USD Audited
EQUITY AND LIABILITIES			
Equity			
Share capital		**1,338**	1,338
Shareholders transactions reserve		**33,747,066**	24,979,290
Retained earnings		**111,744,986**	109,916,015
Total equity		**145,493,390**	134,896,643
Non-current liabilities			
Borrowings	6	**325,035,854**	207,560,422
Deferred tax liability		**5,592,438**	6,028,389
Trade and other payables	7	**28,837,148**	32,779,364
Total non-current liabilities		**359,465,440**	246,368,175
Current liabilities			
Borrowings	6	**17,499,296**	18,510,411
Trade and other payables		**84,197,530**	51,475,355
Current tax liability		**627,325**	425,839
Total current liabilities		**102,324,151**	70,411,605
Total liabilities		**461,789,591**	316,779,780
Total equity and liabilities		**607,282,981**	451,676,423

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

The rate of exchange between the US Dollar and the euro issued by the European Central Bank as at 30 June 2026 was €1: USD 1.1394 (31 December 2025: €1: USD 1.175). These financial statements on pages 4 to 18 were approved and authorised for issue by the board of directors on 25 August 2026 and signed on its behalf by:

Colin Gregory
Director

Didier Fernand P. Henet
Director

Condensed Consolidated interim statement of comprehensive income

	Period from 1 January to 30 June	
	2026 USD Unaudited	2025 USD Unaudited
Revenue	**25,631,868**	20,531,007
Cost of sales	**(18,600,851)**	(14,458,573)
Gross profit	**7,031,017**	6,072,434
Administrative expenses	**(2,103,178)**	(1,775,061)
Other income - net	**1,249,515**	-
Operating profit	**6,177,354**	4,297,373
Finance income	-	87,484
Finance costs	**(4,007,193)**	(1,684,167)
Unwinding of discount	**(3,921,017)**	5,700,396
Realised foreign exchange differences	**(3,651,863)**	478,693
Unrealised foreign exchange differences	**6,898,467**	(4,444,420)
Profit before tax	**1,495,748**	4,435,359
Tax credit	**333,223**	871,477
Profit for the period	**1,828,971**	5,306,836

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

Condensed Consolidated interim statement of changes in equity

	Share capital USD	Shareholders transactions reserve USD	Retained earnings USD	Total USD
Unaudited				
Balance as at 1 January 2025	1,338	-	110,925,343	110,926,681
Comprehensive income				
Loss for the period	-	-	5,306,836	5,306,836
Balance as at 30 June 2025	1,338	-	116,232,179	116,233,517
Balance as at 1 January 2026	1,338	24,979,290	109,916,015	134,896,643
Transactions with owners				
Deemed capital contribution	-	8,767,776	-	8,767,776
Comprehensive income				
Profit for the period	-	-	1,828,971	1,828,971
Balance as at 30 June 2026	**1,338**	**33,747,066**	**111,744,986**	**145,493,390**

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

Condensed Consolidated interim statement of cash flows

	Notes	Period from 1 January to 30 June	
		2026 USD Unaudited	2025 USD Unaudited
Cash flows from operating activities			
Net cash generated from operating activities		32,762,289	61,083
Cash flows from financing activities			
Loans advanced to related companies		(11,960,518)	-
Proceeds from loans with group companies		66,383,689	59,975,587
Repayment of loans from group companies		(9,975,260)	(1,500,000)
Proceeds from loans with fellow subsidiaries		33,700,316	-
Proceeds from bank loans		87,563,843	-
Repayment of bank and third-party loans		(50,579,700)	(5,235,784)
Repayment of loans from related parties		-	(1,038,900)
Net cash generated from financing activities		115,132,370	52,200,903
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(49,000,000)	(56,344,851)
Increase in advances made to acquire property, plant and equipment		(96,037,373)	-
Net cash used in investing activities		(145,037,373)	(56,344,851)
Movement in cash and cash equivalents		2,857,286	(4,082,865)
Cash and cash equivalents at beginning of period		6,050,442	7,973,429
Cash and cash equivalents at end of period		8,907,728	3,890,564

Non-cash transactions

During the period, property, plant and equipment amounting to USD 9,740,685 was acquired through advances made in previous periods. As such, this transaction did not involve the use of cash and is therefore excluded from operating, investing and financing cash flows; it is disclosed for supplementary information only.

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

Notes to the condensed consolidated interim financial statements

1. General information

Challenge Aviation Holding Limited (the "Company") is a limited liability company domiciled and incorporated in Malta. The condensed consolidated interim financial statements of the Company as at 30 June 2026 and for the six-month period then ended comprise the Company and its subsidiaries (together referred to as the "Group"). The Group's primary activity is the leasing of aircraft, focusing on wide-body freighters and aircraft engines to global airlines and cargo operators.

The consolidated financial statements of the Group as at and for the year ended 31 December 2025 are available upon request from the Company's registered office at Level 5, Skyparks Business Centre, Malta International Airport, Luqa, LQA 4000, Malta.

The condensed consolidated interim financial statements have been reviewed in accordance with the requirements of ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

2. Basis of preparation

The condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2026 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, "Interim Financial Reporting"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2025, which have been prepared in accordance with IFRSs as adopted by the EU.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2025, as described in those annual financial statements.

Interest-free related party funding arrangements

During the period ended 30 June 2025, management accounted for the recognition on interest-free loans with related parties in accordance with IFRS 9, which requires initial recognition at fair value, net of directly attributable transaction costs, where applicable. Where related party funding arrangements are not entered into at market rates, fair value at initial recognition is determined using discounted cash flow techniques based on a market rate of interest applicable to an instrument with similar terms and characteristics, including the credit risk profile of the borrower, tenor, repayment structure, currency and seniority.

In the prior period condensed consolidated interim financial statements for the period ended 30 June 2025, these arrangements were discounted to their fair value on initial recognition. The loans are subsequently measured at amortised cost using the effective interest method.

During the second half of financial year ending 31 December 2025, loan agreements with subsidiaries with the Group were revised, thus necessitating remodelling of fair value and discounting workings applicable to loans which were also in force as at 30 June 2025. Such changes were reflected in the financial statements for the year ended 31 December 2025. Given that the said loan agreements were revised after the period end makes the impact of this revision a non-adjusting subsequent event, and accordingly comparative figures for June 2025 in this set of condensed financial statements are not being restated.

Standards, interpretations and amendments to published standards that are not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2026. The Company has not early adopted these revisions to the requirements of IFRS as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

IFRS 18 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 1 January 2027)

IFRS 18 (issued on 9 April 2024) was endorsed for use in the European Union on 16 February 2026 and is set to replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, particularly those related to the statement of financial performance. IFRS 18 will also require the disclosure of management-defined performance measures within the financial statements.

Management is currently assessing the implications of applying IFRS 18 on the Company's financial statements.

The new standard will be applicable from its mandatory effective date of 1 January 2027, with retrospective application, meaning that comparative information will be restated to reflect the new presentation and disclosure requirements introduced.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures '(effective for annual periods beginning on or after 1 January 2027)

IFRS 19 (issued on 9 May 2024), which is yet to be endorsed for use in the EU, will allow eligible entities to voluntarily elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary, as defined in IFRS 10, that does not have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use that comply with IFRS accounting standards.

As the Company's equity is not publicly traded, it will likely be eligible to apply IFRS 19 however Management is currently assessing the implications of voluntarily applying IFRS 19 on the Company's financial statements.

The new standard will be applicable from its mandatory effective date of 1 January 2027, subject to endorsement for use in the EU, with retrospective application.

3. Property, plant and equipment

	Aircraft USD	Aircraft engines USD	Auxiliary power units and landing gear USD	Total USD
Audited				
At 1 January 2025				
Cost	280,163,644	25,066,058	1,830,000	307,059,702
Accumulated depreciation	(27,332,615)	(9,152,966)	(170,302)	(36,655,883)
Net book amount	252,831,029	15,913,092	1,659,698	270,403,819
Year ended 31 December 2025				
Opening net book amount	252,831,029	15,913,092	1,659,698	270,403,819
Additions	71,021,501	15,457,204	2,850,000	89,328,705
Disposals	-	-	(400,000)	(400,000)
Depreciation charge	(22,132,966)	(7,837,572)	(339,335)	(30,309,873)
Closing net book amount	301,719,564	23,532,724	3,770,363	329,022,651
At 31 December 2025				
Cost	351,185,145	40,523,262	4,280,000	395,988,407
Accumulated depreciation	(49,465,581)	(16,990,538)	(509,637)	(66,965,756)
Net book amount	301,719,564	23,532,724	3,770,363	329,022,651
Unaudited				
Period ended 30 June 2026				
Opening net book amount	301,719,564	23,532,724	3,770,363	329,022,651
Additions	48,053,994	1,675,685	9,265,000	58,994,679
Depreciation charge	(12,230,610)	(4,657,754)	(210,498)	(17,098,862)
Closing net book amount	**337,542,948**	**20,550,655**	**12,824,865**	**370,918,468**
At 30 June 2026				
Cost	399,239,139	42,198,947	13,545,000	454,983,086
Accumulated depreciation	(61,696,191)	(21,648,292)	(720,135)	(84,064,618)
Net book amount	**337,542,948**	**20,550,655**	**12,824,865**	**370,918,468**

Some of the Group's aircraft are secured as collateral for the Group's loan facilities.

During the six months ended 30 June 2026, the Group acquired assets, with a cost of USD 59 million (year ended 31 December 2025: USD 89 million).

4. Other financial assets at amortised cost

	As at 30 June 2026 Unaudited USD	As at 31 December 2025 Audited USD
Non-current		
Loans receivable from fellow subsidiaries	**3,519,279**	3,445,612
Loans receivable from group companies	**31,697,752**	21,348,844
Loans receivable from ultimate parent	**44,603**	43,758
	35,261,634	24,838,214
Current		
Loans receivable from group companies	**89,372**	92,164
	89,372	92,164

Non-current loans receivable from group companies amounting to USD 10,595,362 (2025: USD nil) are unsecured, interest-free and contractually repayable by 31 December 2030. The remaining non-current loans receivable are unsecured, interest-free and contractually repayable by 31 December 2029. The Company may request repayment of all non-current loans receivable earlier, subject to providing a minimum notice period of 12 months.

The loans are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The table below reflects the initial fair value measurement of the loans at below-market rates and the subsequent accretion of the carrying amount over the contractual term.

	As at 30 June 2026 Unaudited USD	As at 31 December 2025 Audited USD
As at period end		
Nominal amount advanced	**41,211,868**	28,465,287
Unamortised discount	**(5,568,447)**	(4,028,560)
Foreign exchange differences	**(381,787)**	401,487
Carrying amount at amortised cost	**35,261,634**	24,838,214
Loans receivable from immediate parent, subsidiaries, fellow subsidiaries and group companies		
Nominal amount advanced	**41,211,868**	28,465,287
Fair value	**(34,854,400)**	(24,144,754)
Day-one difference recognised in equity as shareholder transaction	**6,357,468**	4,320,533

On initial recognition, the loans advanced to ultimate parent, fellow subsidiaries and group companies were measured at fair value by discounting the contractual cash flows using a market rate for a comparable instrument. The difference between the transaction price and the fair value of the loan, being the "day-one difference", has been recognised directly in equity within the shareholder transactions reserve, as it arises from a below-market intra-group funding arrangement between entities under common control and is, in substance, an owner-related transaction directed by the common parent. The loan is subsequently measured at amortised cost using the effective interest method (refer to the Statement of changes in equity).

	As at 30 June 2026 Unaudited USD	As at 31 December 2025 Audited USD
Movement during the period/year:		
Fair value at beginning of period	**24,838,214**	24,144,754
Additions	**12,746,585**	-
Deemed capital distribution	**(2,036,935)**	-
Unwinding of discounting	**497,048**	291,973
Foreign exchange differences	**(783,278)**	401,487
At period end	**35,261,634**	24,838,214

Management considers that the carrying amount of the loans approximates their fair value at the reporting date due to the nature of the arrangements and the remaining contractual terms.

Current loans receivable from group company are unsecured, repayable on demand and include capitalised interest calculated at 4% per annum.

5. Trade and other receivables

	As at 30 June 2026 Unaudited USD	As at 31 December 2025 Audited USD
Non-current		
Prepayment for aircraft conversion	**3,269,563**	5,959,000
Prepayment for conversion related expenses and spare parts	**425,607**	7,438,446
Prepayment for aircraft bid	**-**	4,600,000
	3,695,170	17,997,446
Current		
Trade debtors	**125,477**	511,866
Amounts due from fellow subsidiary	**509,685**	-
Amounts due from group companies	**43,313,630**	32,774,548
Amounts due from related companies	**8,885,166**	6,453,494
Amounts due from ultimate parent company	**10,093,004**	9,492,683
Prepayment for aircraft conversion	**50,307,074**	16,813,331
Prepayment for aircraft acquisition	**61,000,000**	-
Prepayment for conversion related expenses and spare parts	**11,075,527**	2,436,610
Prepayment for engine and APU acquisition	**2,600,000**	5,110,579
Indirect tax receivable	**352,415**	8,694
Other receivables	**10,500**	10,500
Accrued income	**715**	32,008
Prepayments	**34,245**	31,193
	188,307,438	73,675,506

Non-current prepaid amounts of USD 3,269,563 (31 December 2025: USD 5,959,000) and USD 425,607 (31 December 2025: USD 7,438,446) represent money paid in advance in respect of conversions to be performed by a third party from passenger aircraft to cargo aircraft which is not expected to be finalised within twelve months from reporting date and related costs. As at the reporting date, the Group had not yet acquired the aircraft, however, has already booked its conversion slots in advance.

In 2025, prepaid amounts of USD 4,600,000 were made for aircraft bids that represent money paid by the Group for a bid won to acquire three aircraft of which the sale process was still ongoing as at 31 December 2025. The acquisition was finalised during the period and the amount is accordingly presented within current trade and other receivables as at 30 June 2026.

The deposit of USD 1,000,000 previously paid on an aircraft bid represented money paid by the Company for another two aircraft. Such deposit was returned to the Company during the year ended 31 December 2025 and no balance is outstanding at either reporting date.

Prepayment for aircraft conversion of USD 50,307,074 (31 December 2025: USD 16,813,331) represents money paid in advance, in respect of a conversion performed by a third party from a passenger aircraft to a cargo aircraft acquired by one of the subsidiaries during the year and which is expected to be completed in 2026.

The amounts due from the ultimate parent company and group and related companies are unsecured, interest-free and repayable on demand.

6. Borrowings

	As at 30 June 2026 Unaudited USD	As at 31 December 2025 Audited USD
Non-current		
Loans due to group companies	**194,743,722**	145,133,317
Loans due to fellow subsidiary	**33,700,316**	-
Loans due to the ultimate parent	**3,395,067**	2,983,689
Loans due to banks and other third parties	**93,196,749**	59,443,416
	325,035,854	207,560,422
Current		
Loans due to banks and other third parties	**17,499,296**	18,510,411
Total borrowings	**342,535,150**	226,070,833

Non-current loans due to a fellow subsidiary amounting to USD 33,700,316 (2025: USD nil) are unsecured, bear interest at a rate of 6.8% per annum and contractually repayable by May 2032.

Non-current loans due to group company and the ultimate parent amounting to USD 55,464,077 (2025: USD nil) and USD 420,888 (2025: USD nil) respectively are unsecured, interest-free and contractually repayable by 31 December 2030. The remaining non-current loans due to group company and the ultimate parent are unsecured, interest-free and contractually repayable by 31 December 2029. The lender may request repayment earlier, subject to providing a minimum notice period of 12 months.

The loans are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The table below reflects the initial fair value measurement of the loans and the subsequent accretion of the carrying amount over the contractual term.

	As at 30 June 2026 Unaudited USD	As at 31 December 2025 Audited USD
Loans due to group company and parent		
Nominal amount advanced	**240,440,896**	174,057,207
Repayments	**(11,475,808)**	(1,500,000)
Unamortised discount	**(30,834,139)**	(24,447,492)
Foreign exchange differences	**7,840**	7,291
Carrying amount at amortised cost	**198,138,789**	148,117,006
Nominal amount advanced	**240,440,896**	174,057,207
Fair value at initial recognition	**(200,336,362)**	(144,757,384)
Day-one difference recognised in equity as shareholder	**40,104,534**	29,299,823

On initial recognition, the loans due to group company and fellow subsidiary were measured at fair value by discounting the contractual cash flows using a market rate for a comparable instrument.

The difference between the transaction price and the fair value of the loan, being the "day-one difference", has been recognised directly in equity within the shareholder transactions reserve, as it arises from a below-market intra-group funding arrangement between entities under common control and is, in substance, an owner-related transaction directed by the common parent. The loan is subsequently measured at amortised cost using the effective interest method (refer to the Statement of changes in equity).

	As at 30 June 2026 Unaudited USD	As at 31 December 2025 Audited USD
Movement during the period/year:		
Fair value at beginning of period	**148,117,006**	144,757,384
Additions	**66,383,689**	-
Repayments	**(9,975,809)**	(1,500,000)
Deemed capital contribution	**(10,804,711)**	-
Unwinding of discounting	**4,418,065**	4,852,331
Foreign exchange differences	**549**	7,291
At period end	**198,138,789**	148,117,006

Management considers that the carrying amount of the loans approximates their fair value at the reporting date due to the nature of the arrangements and the remaining contractual terms.

The bank loans are from reputable banking institutions and are denominated in Euro.

In April 2023, ACE Aviation V Limited and ACE Aviation VII Limited obtained facilities whereby a maximum principal of EUR 60,450,000 was granted covering the refinancing, acquisition, maintenance and conversion costs of the aircraft owned by them. The security provided under this facility agreement comprises the following: share pledges over the shares of both ACE Aviation V and ACE Aviation VII Limited in favour of the lender, the aircraft owned by both subsidiaries are mortgaged in favour of the lender, the cash collateral and collection account held by both subsidiaries with the bank are charged in favour of the lender, both subsidiaries provided a security assignment to the lender whereby they assigned by way of security with full title guarantee all of their rights, title and interest, present and future, in and to the assigned property being the following: the lease agreement property, the insurance property, the conversion agreement property, the requisition proceeds property, the final disposition proceed property, and the warranty property; both subsidiaries entered into a deed of cross-collateralisation with each other in favour of the lender whereby both subsidiaries undertake that the aircraft they own as well as the other collateral provided to the lender will be cross-collateralised for the obligations undertaken by both ACE Aviation V Limited and ACE Aviation VII Limited. Until 17 February 2026, these bank loans bore a fixed interest rate varying between 6.20% and 6.89% per annum and were repayable by April 2029. On 17 February 2026, these facilities were renegotiated, whereby gross advances of EUR 52,368,500 were granted. The repackaged loans bear an interest of 5.14% per annum and are repayable by February 2031. The security provided remained unchanged save for amendments to reflect the increase in the Secured Obligations resulting from the facility uplift.

In 2025, ACE Aviation IV Limited entered into a facility agreement with another bank whereby facilities of EUR 16,500,000 were granted to the Group. This loan bears an interest of 4.96% and is repayable within 5 years. The security provided to the lender under the facility agreement comprises the following: pledge of the aircraft owned by the respective company, pledge, charge and assignment by way of charge of all the present and future rights of the pledgor in the bank account held with the bank and a security assignment defined as follows: the lease agreement property, the insurance property, and the requisition proceeds property.

In 2025, ACE Aviation XII Limited entered into a facility agreement with another bank whereby facilities of EUR 15,050,000 were granted to the Group. This loan bears an interest of 4.854% and is repayable within 5 years.

The security provided to the lender under the facility agreement comprises the following: pledge of the aircraft owned by the respective company, pledge, charge and assignment by way of charge of all the present and future rights of the pledgor in the bank account held with the lender and a security assignment defined as follows: the lease agreement property, the insurance property, and the requisition proceeds property.

In 2026, ACE Aviation III Limited entered into a facility agreement with another bank whereby facilities of EUR 21,675,000 were granted to the Group. This loan bears an interest of 5.23% and is repayable within 5 years. The security provided to the lender under the facility agreement comprises the following: pledge of the aircraft owned by the respective company, the company's right, title and interest in the bank accounts held with the lender and a security assignment defined as follows: the lease agreement property, the insurance property, the requisition proceeds property, the final disposition proceeds property and the warranty property.

The third-party loan was secured by pledge on the aircraft, accrued interest a fixed interest at the rate of 4.721% per annum and was repayable in monthly instalments made up of the portion of the premium plus monthly interest, by 5 November 2026. This was fully repaid during the year ended 31 December 2025.

During 2024, the Group entered into a rolling credit facility agreement with a related party at an interest rate of 5.5% per annum and was repayable within 12 months from initial draw. Said loan was secured against the aircraft owned by ACE Aviation II Limited. This facility was fully repaid during the year ended 31 December 2025.

The bank loans and third-party loan were classified between current and non-current.

7. Trade and other payables

	As at 30 June 2026 Unaudited USD	As at 31 December 2025 Audited USD
Non-current		
Refundable security deposits due to group companies	**7,682,356**	-
Refundable security deposits due to related companies	**4,717,961**	11,857,650
Other payables	**16,436,831**	20,921,714
	28,837,148	32,779,364
Current		
Trade payables	**20,431,564**	7,122,696
Amounts due to related companies	**13,552,439**	13,552,439
Amounts due to group companies	**42,156,587**	24,248,144
Amounts due to the ultimate parent	**4,081,573**	1,131,798
Other payables	**2,575,673**	269,737
Accrued interest on borrowings	**492,044**	-
Accrued expenses	**678,769**	5,150,541
Refundable security deposits due to related companies	**195,000**	-
Indirect tax payable	**33,881**	-
	84,197,530	51,475,355

Amounts due to group and related companies and the ultimate parent are unsecured, interest-free and repayable on demand.

Amounts included under non-current other payables in the comparative period represented payments received from group and related companies under the terms of relevant aircraft engine lease agreements. Some of the amounts stand to be paid for specific qualified repairs or replacement engine events on behalf of the contract party in the instance of a qualified maintenance event of the aircraft or the aircraft parts. The remaining non-current balances represent refundable security deposits returnable on the expiration of the respective lease agreements.

8. Related party disclosures

Relationships between parents and subsidiaries

The immediate and ultimate parent company of Challenge Aviation Holding Limited is Challenge Aviation Services Limited, a company registered in Malta, with its registered address at Level 5, Skyparks Business Centre, Malta International Airport, Luqa LQA 4000, Malta.

The ultimate beneficial owners of Challenge Aviation Services Limited are Offer Gilboa and Eshel Heffetz.

Related party transactions

Transactions entered into with group companies, with immediate and ultimate parent companies, with companies with common beneficial shareholders, as well as with the ultimate controlling parties are considered to be related party transactions.

Transactions with related parties during the period consisted of the following:

	Period from 1 January to 30 June 2026 Unaudited USD	Period from 1 January to 30 June 2025 Unaudited USD
Ultimate parent		
Management and consultancy fees, including handling fees	**(1,299,581)**	(1,224,466)
Recharge of expenses	**-**	(47,880)
Group companies		
Revenue	**15,033,501**	13,903,026
Cost of sales	**(708,101)**	-
Other income	**117,172**	-
Administrative expenses	**(7,177)**	-
Finance income	**-**	70,856
Recharge of expenses	**-**	(240,089)
Related parties		
Revenue	**9,967,865**	6,627,981

9. Events after the end of the interim reporting period

Subsequent to period-end, the Group further secured a bank loan of EUR 16,000,000.

There were no other significant events since the reporting date, which would otherwise have required adjustments to or disclosure in the financial statements.

10. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

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Report on review of interim financial information

To the Board of Directors of Challenge Aviation Holding Limited

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Challenge Aviation Holding Limited as at 30 June 2026 and the related condensed consolidated interim statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and notes, comprising material accounting policy information and other explanatory information. The Directors are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim financial reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, '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 less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable 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.

a) The maintenance and integrity of the Challenge Aviation Holding Limited website is the responsibility of the Directors of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed consolidated interim financial information since this was initially presented on the website.

b) Legislation in Malta governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

Other matter

This report, including the conclusion, has been prepared for and only for the Group and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Stephen Mamo
Principal

For and on behalf of
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

25 August 2026

e) The maintenance and integrity of the Challenge Aviation Holding Limited website is the responsibility of the Directors of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed consolidated interim financial information since this was initially presented on the website.

f) Legislation in Malta governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.