



**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD 30 OCTOBER 2025 TO 30 JUNE 2026**

CHALLENGE AVIATION P.L.C.

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Directors' report pursuant to Capital Markets rule 5.75.2

This half-yearly directors' report is being published in terms of Chapter 5 of the Capital Markets Rules published by the Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The half-yearly report, of which the present directors' report forms part, comprises the unaudited condensed interim financial statements of Challenge Aviation p.l.c. (the "Company") for the period ended 30 June 2026 prepared in accordance with International Financial Reporting Standards adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting').

Principal activity

Challenge Aviation p.l.c. (the "Company") is a public limited liability company registered in Malta. The Company's issued share capital is held by Challenge Aviation Services Limited, which holds 299,999 of the 300,000 issued ordinary shares, and by Challenge Aviation Holding Limited, which holds 1 share. Its principal activity is to act as a financing company for the leasing arm of the Group. The leasing arm comprises collectively Challenge Aviation Holding Ltd (the Guarantor) and its subsidiaries.

The primary function of the leasing arm of the Group is to acquire, convert (where required), finance, and lease freighter aircraft. These assets generate stable, contractual lease income under medium- to long-term lease agreements.

The Company and the leasing arm of the Group form part of the wider "Challenge Group" (or "Group"), a vertically integrated air-cargo and aviation services platform combining airlines, ground handling, logistics, maintenance and a dedicated aircraft-leasing capability under one unified structure.

Date of incorporation

The Company was incorporated on 30 October 2025 and accordingly these financial statements have been prepared from the period from 30 October 2025 to 30 June 2026.

Financial results

For the first financial period ended 30 June 2026, the Company reported a loss of USD 125,706, reflecting initial incorporation costs and listing-related expenses that did not qualify for capitalisation. Financial income and expenses included in these condensed financial statements relate to the period from the bond issue date, 26 May 2026, to 30 June 2026. Going forward, the margin between interest payable to bondholders and interest receivable on the loan advanced to the Group is expected to be sufficient to cover administrative and other operating costs.

The statement of comprehensive income is set out on page 4.

Business overview

The Company is not intended to undertake any trading activities itself apart from the raising of capital and the advancing thereof to members of the leasing arm of the Group. Accordingly, the Company is economically dependent on the financial and operating performance of the leasing arm of the Group. The Company does not have any other substantial assets and is essentially a special purpose vehicle set up to act as a financing company to provide the leasing arm of the Group with funding for the Business.

On 26 May 2026, the Company issued a Bond of EUR 30,000,000 with an interest rate of 5.75% per annum payable annually in arrears. The redemption date is on 26 May 2032.

The Guarantor in terms of the Capital Markets Rules is Challenge Aviation Holding Limited (C 74987), a private limited liability company registered under the laws of Malta in terms of the Companies Act (Cap. 386).

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.

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 is strategically focused on acquiring and leasing mid-life freighters and high-demand engines, positioning itself to benefit from market trends and evolving airline requirements.

Outlook

Looking ahead, the Group expects sustained demand for air cargo services and 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

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

Colin Gregory
Andrew Muscat
Didier Fernand P Henet

Directors are appointed during the Company's Annual General Meeting for periods of one year, at the end of which term they may stand again for re-election. The Articles of Association of the Company clearly set out the procedures to be followed for the appointment of directors.

Approved by the Board of Directors on 25 August 2026 and signed on its behalf by:



Colin Gregory
Director



Andrew Muscat
Director

Condensed interim statement of financial position

		As at 30 June
	Notes	2026 Unaudited USD
ASSETS		
Non-current assets		
Loans receivable	5	33,726,927
Current assets		
Trade and other receivables		316,850
Cash and cash equivalents		251,291
Total current assets		568,141
Total assets		34,295,068
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		300,000
Shareholder transactions reserve		12,006
Accumulated losses		(125,706)
Total equity		186,300
Non-current liabilities		
Borrowings	6	33,789,613
Current liabilities		
Trade and other payables		319,155
Total liabilities		34,108,768
Total equity and liabilities		34,295,068

The notes on pages 7 to 13 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 3 to 13 were authorised for issue by the Board on 25 August 2026 and were signed on its behalf by:



Colin Gregory
Director



Andrew Muscat
Director

Condensed interim statement of comprehensive income

	Period from 30 October 2025 to 30 June 2026 Unaudited USD
Investment and other related income	226,023
Interest payable and similar charges	(200,110)
Gross profit	<u>25,913</u>
Administrative expenses	(151,619)
Loss for the period - total comprehensive income	<u>(125,706)</u>
Earnings per share	<u>(0.67)</u>

The notes on pages 7 to 13 are an integral part of these condensed interim financial statements.

Condensed interim statement of changes in equity

Unaudited	Share capital USD	Shareholder transactions reserve USD	Accumulated losses USD	Total equity USD
Comprehensive income				
Loss for the period	-	-	(125,706)	(125,706)
Transactions with owners				
Issue of share capital	300,000	-	-	300,000
Deemed contribution	-	12,006	-	12,006
Balance at 30 June 2026	300,000	12,006	(125,706)	186,300

The notes on pages 7 to 13 are an integral part of these condensed interim financial statements.

Condensed interim statement of cash flows

	Period from 30 October 2025 to 30 June 2026 Unaudited USD
Cash flows from operating activities	(37,973)
Net cash used in operating activities	<u>(37,973)</u>
Cash flows from financing activities	
Proceeds from borrowings from immediate parent	39,264
Proceeds from share issues	250,000
Net cash generated from financing activities	<u>289,264</u>
Net movement in cash and cash equivalents	251,291
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	<u>251,291</u>

The notes on pages 7 to 13 are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

1. Basis of preparation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting, have been extracted from the Company's unaudited accounts for the period ended 30 June 2026. The half-yearly results are being published in terms of Chapter 5 of the Capital Markets Rules of the Malta Financial Services Authority.

The condensed interim financial statements as at, and for the 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").

Date of incorporation

The Company was incorporated on 30 October 2025 and accordingly these financial statements have been prepared from the period from 30 October 2025 to 30 June 2026 and therefore, no comparative information is being presented.

2. Accounting policies

The material accounting policies used in the preparation of the condensed interim financial statements are set out below.

2.1 Foreign currency translation

Functional and presentation currency

The financial statements are presented in United States Dollar (USD), which is the Company's functional currency.

2.2 Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other comprehensive income (OCI).

Recognition and derecognition

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which an asset is delivered to or by the Company. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership or has not retained control of the asset.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss, subject to materiality.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).

Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as a separate line item in the statement of profit or loss.

- **FVPL:** assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For all other financial assets that are subject to impairment under IFRS 9, the Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit impaired on initial recognition is classified in stage 1.

Financial assets in stage 1, have their expected credit loss measured at an amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months, or until contractual maturity if shorter. If the Company identifies a significant increase in credit risk since initial recognition, the asset is transferred to stage 2 and its expected credit loss is measured on a lifetime basis, that is up until contractual maturity.

If the Company determines that a financial asset is credit impaired, the asset is transferred to stage 3 and the expected credit loss is measured on a lifetime credit loss basis.

2.3 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. not at fair value through profit or loss under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

2.4 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.5 Interest-free related party funding arrangements

Interest-free loans with related parties are financial instruments within the scope of IFRS 9 and are initially recognised 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.

The difference between the nominal amount and the fair value at initial recognition is accounted for in accordance with the substance of the arrangement. Where management concludes that the arrangement represents a transaction directed by the common parent acting in its capacity as ultimate owner, the difference is recognised directly in equity as a shareholder contribution, distribution or within another appropriate equity reserve, as applicable.

Following initial recognition, the loans are measured at amortised cost using the effective interest method. Finance income and finance expense arising from the unwinding of discounting are recognised in profit or loss over the contractual term of the instrument, such that the carrying amount accretes to the contractual repayment amount at maturity.

The carrying amounts and related movements of material interest-free related party funding arrangements are disclosed in Notes 5 and 6.

2.6 Interest income

Interest income is recognised using the effective interest method.

New and amended standards adopted by the Company

A number of amended standards became applicable for the current reporting period. There is no impact on the adoption of these revisions on the Company's accounting policies and on the Company's financial results.

Impact of standards issued but not yet applied by the Company

Certain 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 30 October 2025. The Company has not early adopted these revisions to the requirements of IFRSs 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.

3. Critical accounting estimates

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors that makes strategic decisions. The board of directors considers the Company to be made up of one segment, which is raising financial resources from capital markets to finance the Group's working capital and other capital projects. The Company's main revenue and expenses are generated in Malta and interest revenue is mainly earned from other companies forming part of the leasing arm of the Group.

5. Loans receivable

	As at 30 June 2026 Unaudited USD
Loans due from fellow subsidiary (i)	33,700,316
Loans due from immediate parent company (ii)	26,611
	<u>33,726,927</u>

- (i) Loans due from fellow subsidiary reflect the transfer of funds to ACE Aviation XI Limited (a fellow subsidiary), generated by the Company from the issue of bonds (Note 6).

The proceeds from the issue of the bond are loaned to ACE Aviation XI Limited, solely for the purpose of part-financing the acquisition of the aircraft acquired by the latter company. The loan to fellow subsidiary is repayable over the period up to 2032 and bears interest at 6.8% payable per annum.

- (ii) Loans due from immediate parent company are unsecured, interest-free and repayable by 31 December 2029 subject to a minimum notice of 12 months. The Company may request repayment earlier, subject to providing a minimum notice period of 12 months.

6. Borrowings

	As at 30 June 2026 Unaudited USD
Non-current	
300,000 5.75% Bonds of EUR 100 each 2032 (i)	33,692,476
Loans due to immediate parent company (ii)	64,661
Loans due to fellow subsidiary (iii)	32,476
	<u>33,789,613</u>

This note provides information about the contractual terms of the Company's borrowings.

- (i) By virtue of a base prospectus dated 16 April 2026, the Company issued 300,000 bonds with a face value of EUR 100 each. Interest on the 5.75% 2032 Bonds is payable annually in arrears, on 26 May of each year. The bonds are redeemable at par and are due for redemption on 26 May 2032. The Guarantor, Challenge Aviation Holding Limited, as duly authorised and as primary obligor, jointly and severally with the Company, unconditionally and irrevocably guarantees to the bondholders, to pay any indebtedness/balance at any time due or owing under the Bonds in the event that the Company fails to pay any sum payable by it to the bondholders pursuant to the terms of the Bonds as and when same shall become due. In addition to the guarantee provided by the Guarantor, ACE Aviation VI Limited, the Security Provider and a fellow subsidiary of the Company, has provided, in favour of the Security Trustee, Finco Trust Services Ltd., to secure the bond obligations, by way of limited and joint and several suretyship: a Pledge on Aircraft; a Tripartite Agreement; an Aircraft Security Agreement; and a Pledge on Insurance. The bonds were admitted on the Official List of the Malta Stock Exchange on 26 May 2026. The quoted market price as at 30 June 2026 for the bonds was EUR 101.74.

	As at 30 June 2026 Unaudited USD
Face value	
300,000 5.75% Bonds of EUR 100 each (USD 116.17) - 2032	34,851,000
Issue costs	(502,622)
Accumulated amortisation	4,637
Closing net book amount of bond issue costs	(497,985)
Unrealised foreign exchange differences	(660,539)
Amortised cost and closing carrying amount	33,692,476

- (ii) Loans due to immediate parent company are unsecured, interest-free and contractually repayable between 31 December 2029 and 31 December 2030. The lender may request repayment earlier, subject to providing a minimum notice period of 12 months.
- (iii) Loans due to fellow subsidiary 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.

7. Taxation

No provision for Malta income tax was made in these financial statements in view of the tax loss incurred during the period.

8. Earnings per share

Earnings per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Period from 30 October 2025 to 30 June 2026 Unaudited
Net loss attributable to owners of the Company (USD)	(125,706)
Weighted average number of ordinary shares in issue	187,500
Earnings per share (USD)	(0.67)

The Company has no instruments or arrangements which give rise to potential ordinary shares and accordingly diluted earnings per share is equivalent to basic earnings per share.

9. Related party transactions

The Company has related party relationships with all entities ultimately controlled by Challenge Aviation Services Limited.

The following principal operating transactions, which were carried out with related parties, have a material effect on the operating results and financial position of the Company:

	Period from 30 October 2025 to 30 June 2026 Unaudited USD
Interest and other related income	226,023

10. Events after the end of the reporting period

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

Statement pursuant to Capital Markets Rule 5.75.3

I confirm that to the best of my knowledge:

- the condensed interim financial statements give a true and fair view of the financial position of the Company as at 30 June 2026, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, 'Interim Financial Reporting');
- the interim directors' report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.



Colin Gregory
Director

25 August 2026

Report on review of interim financial information

To the Board of Directors of Challenge Aviation p.l.c.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Challenge Aviation p.l.c. as at 30 June 2026 and the related condensed 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 interim financial information in accordance with International Accounting Standard 34, "Interim financial reporting". Our responsibility is to express a conclusion on this condensed 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 p.l.c. 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 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 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 Company 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.

A blue ink signature of Stephen Mamo, consisting of a large, stylized 'S' and 'M' intertwined.

Stephen Mamo
Principal

For and on behalf of

PricewaterhouseCoopers

78, Mill Street

Zone 5, Central Business District

Qormi

Malta

25 August 2026

- a) The maintenance and integrity of the Challenge Aviation p.l.c. 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 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.