Ashdod Refinery Ltd.

Financial Statements
As of December 31, 2025

Translation from the Hebrew

Disclaimer
This document is a convenience translation from the Hebrew original of the company's financial statements dated December 31, 2025 (the "Statements") issued by Ashdod Refinery Ltd. (the "Company"). Only the Hebrew original of the Statements is legally binding. No reliance may by placed for any purpose whatsoever on the completeness, accuracy or fairness of information contained in this document. No warranty or representation, express or implied, is made or given by or on behalf of the Company or any of its directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information contained in this document and no responsibility or liability is accepted by any person for such information.

Financial Statements as of December 31, 2025

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ASHDOD REFINERY LTD.

Opinion

We have audited the financial statements of Ashdod Refinery Ltd. (hereinafter – "the Company") which comprise the statement of financial position as of December 31, 2025 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Basis for Opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Auditor's mode of Performance), 1973. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the applicable legal provisions in Israel regarding independence and conflict of interest of auditors. Additionally, we have fulfilled our other ethical responsibilities in accordance with the Auditors' Law, 1955 and the regulations thereunder. We believe that the audit evidence we have obtained is appropriate and sufficient to provide a basis for our opinion.

Key Audit Matters

The key audit matters described below are those matters that were communicated, or were required to be communicated, to the board of directors of the Company, and that, in our professional judgement, were of most significance in the audit of the financial statements of the current period. These matters include, among others, any matter that: (1) relates, or may relate, to significant accounts or disclosures in the financial statements; and (2) involved our profession judgment that was challenging, subjective or especially complex. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. The communication of these matters below does not change our opinion on the financial statements as a whole, nor do we provide through such communication a separate opinion on these matters or on the accounts or disclosures to which they relate.

Measurement of the value of inventory

As described in Note 14 to the financial statements, the Company has recognized inventory in the amount of $ 220 million as at December 31, 2025 after a provision for inventory impairment in the amount of $ 99 million mainly in respect of inventory of oil and products that became impaired (hereinafter "the impaired inventory") following the purchase of substandard raw material that was supplied to the Company as described in Note 1.C.1 to the financial statements. Inventory is presented at the lower of cost or net realizable value. The net realizable value of inventory is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventory includes all of the costs of purchase, conversion and other costs incurred in bringing the inventory to its current location and condition. Furthermore, in the case of work in progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

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Why was this matter was determined to be a Key Audit Matter in the audit

We have identified measurement of the value of inventory as a key audit matter in view of the materiality of the balance of inventory in the financial statements and due to the fact that the audit of the measurement of inventory required from us to exercise judgement in the examination of the estimates and assessments that were used by management as part of its estimate of the net realizable value of inventory.

The Response to the Key Matter in the Audit

The following are the main substantive audit procedures we performed for addressing this key audit matter in the framework of our audit:

- We tested accuracy of the value of inventory on the Company's books by receiving inventory purchase invoices throughout the period and preparing an independent calculation of the value of inventory for a sample of items.
- We examined the calculation of the production overheads that were allocated to inventory.
- We compared the selling prices of inventory including the impaired inventory to the value of inventory as at the date of the statement of financial position in order to examine that the inventory was recorded at the lower of cost or net realizable value.

Responsibilities of the Board and Directors and Management for the financial statements

The board of directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and with the provisions of the Securities Regulations (Annual Financial Statements), 2010, and for such internal control as the board of directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors and management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors and management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Israel will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with generally accepted auditing standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is appropriate and sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and management.
- Conclude on the appropriateness of the use by the board of directors and management of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors and management with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the safeguards applied to eliminate identified threats to our independence.

From the matters communicated or required to be communicated to the board of directors and management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter

The engagement partner on the audit resulting in this independent auditors' report is Nitay Cohen.

Somekh Chaikin
Certified Public Accountants (Isr.)

March 24, 2026

Statements of Financial Position as of December 31

$ millions	Note	2025	2024
Current assets			
Cash and cash equivalents	17	289	257
Trade receivables	15	116	134
Other receivables	16	95	24
Derivative instruments	25	4	3
Inventory	14	230	280
Total current assets		734	698
Non-current assets			
Deposit in trust	12	11	9
Long-term other receivables	13	4	3
Right-of-use assets	24	17	23
Fixed assets	11	623	656
Intangible assets		1	1
Deferred tax assets	10	9	-
Total non-current assets		665	692
Total assets		1,399	1,390

The accompanying notes are an integral part of these financial statements.

Statements of Financial Position as of December 31

$ millions	Note	2025	2024
Current liabilities			
Current maturities of loans and debentures	20	36	26
Trade payables	22	519	552
Derivative instruments	25	3	3
Other payables	23	51	18
Current maturities of lease liabilities	24	9	9
Total current liabilities		618	608
Non-current liabilities			
Debentures, net	21	228	228
Long-term loans	20	26	26
Long-term lease liabilities	24	13	19
Liability for authorization fees	26	18	15
Employee benefits	19	19	14
Deferred tax liabilities	10	-	4
Total non-current liabilities		304	306
Total liabilities		922	914
Commitments and contingent liabilities	26		
Equity	18		
Share capital		*	*
Share premium		322	322
Retained earnings		98	97
Capital reserve from translation differences		57	57
Total equity		477	476
Total liabilities and equity		1,399	1,390

* Less than $ 1 million.

Ofer Orlitzky	Ronen Yehezkel	Ester Pinsler
Chairman of the Board	CEO	CFO

Date of approval of the financial statements: March 24, 2026

The accompanying notes are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income for the Year Ended December 31

$ millions	**Note**	**2025**	**2024**	**2023**
Revenues	5	3,028	3,216	3,774
Cost of sales	6	(2,966)	(3,182)	(3,557)
Gross profit		62	34	217
Selling expenses	7	(8)	(15)	(10)
General and administrative expenses	8	(16)	(13)	(13)
Other income (expenses), net	1.C.1, 26.A.1	35	(1)	*
Operating profit		73	5	194
Financing income	9	3	3	3
Financing expenses	9	(86)	(54)	(58)
Financing expenses, net		(83)	(51)	(55)
Profit (loss) before taxes on income		(10)	(46)	139
Tax benefit (expenses)	10	13	12	(23)
Profit (loss) for the year		3	(34)	116
Other comprehensive income (loss) items not carried to profit and loss				
Foreign currency translation differences		-	-	(37)
Re-measurement of a defined benefit program, net of tax		(2)	*	1
Total comprehensive income (loss) for the year		1	(34)	80
Basic and diluted earnings (loss) per share (in $)	18	0.2	(2.7)	9.9

* Less than $ 1 million.

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Equity

$ millions	Share capital	Share premium	Capital reserve from translation differences	Retained earnings	Total
For the year ended December 31, 2025					
Balance as of January 1, 2025	*	322	57	97	476
Profit for the year	-	-	-	3	3
Other comprehensive loss for the year	-	-	-	(2)	(2)
Balance as of December 31, 2025	*	322	57	98	477

$ millions	Share capital	Share premium	Capital reserve from translation differences	Retained earnings	Total
For the year ended December 31, 2024					
Balance as of January 1, 2024	*	322	57	186	565
Loss for the year	-	-	-	(34)	(34)
Dividend distribution	-	-	-	(55)	(55)
Other comprehensive loss for the year	-	-	-	*	*
Balance as of December 31, 2024	*	322	57	97	476

$ millions	Share capital	Share premium	Capital reserve from translation differences	Retained earnings	Total
For the year ended December 31, 2023					
Balance as of January 1, 2023	*	286	94	69	449
Issuance of shares ***	*	36	-	-	36
Profit for the year	-	-	-	116	116
Other comprehensive income (loss) for the year	-	-	(37)	1	(36)
Balance as of December 31, 2023	*	322	57	186	565

* Less than $ 1 million.

*** See Note 1.A hereunder.

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows for the Year Ended December 31

$ millions	2025	2024	2023
Cash flows from operating activities			
Profit (loss) for the year	3	(34)	116
Adjustments for:			
Depreciation and amortization	69	67	67
Financing expenses, net	83	51	55
Foreign exchange differences, net	(12)	(8)	35
Tax expenses (benefit)	(13)	(12)	23
Capital loss (gain) on de-recognition of fixed assets	*	-	*
	130	64	296
Change in derivatives	(3)	5	*
Change in inventory	50	14	31
Change in trade receivables	28	(21)	(32)
Change in other receivables	(73)	(8)	29
Change in trade payables	(39)	71	(29)
Change in other payables	35	(15)	(1)
Change in employee benefits	2	(1)	(2)
Current taxes paid	*	*	*
Net cash from operating activities	130	109	292

* Less than $ 1 million.

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows for the Year Ended December 31

$ millions	2025	2024	2023
Cash flows from investing activities			
Interest received	3	*	1
Repayment of long-term loans to employees	*	*	*
Acquisition of fixed assets	(26)	(25)	(32)
Proceeds from sale of fixed assets	*	-	*
Net cash used in investing activities	(23)	(25)	(31)
Cash flows from financing activities			
Receipt (repayment) of credit from Paz, net	-	-	(92)
Interest paid to Paz	-	-	*
Dividend paid	-	(55)	-
Receipt (repayment) of loans and credit from banks, net	(11)	(6)	(209)
Receipt of long-term loans	-	30	-
Repayment of long-term loans	(4)	-	-
Issuance of debentures, less issuance expenses	-	52	233
Repayment of debentures	(22)	(21)	-
Issuance of shares and options	-	-	41
Payment of principal of lease liabilities	(8)	(4)	(5)
Interest paid	(39)	(37)	(28)
Net cash used in financing activities	(84)	(41)	(60)
Net increase (decrease) in cash and cash equivalents	23	43	201
Cash and cash equivalents as at the beginning of the year	257	225	31
Effect of exchange rate fluctuations on cash and cash equivalents	9	(11)	(7)
Cash and cash equivalents as at the end of the year	289	257	225
Material non-cash transactions			
Acquisition of fixed assets on credit	7	5	6

* Less than $ 1 million.

The accompanying notes are an integral part of these financial statements.

Note 1 - General

A. The reporting entity

Ashdod Refinery Ltd. (hereinafter – "**the Company**" or "**Ashdod Refinery**") is an Israeli-resident company that was incorporated on January 4, 2006 and whose official address is HaNeft Street, North Industrial Zone Ashdod. The Company engages in import of crude oil, refining of crude oil into oil distillates, marketing and sale of such products and production and sale of electricity. Until August 28, 2023 the Company was a wholly owned subsidiary of Paz Retail and Energy Ltd. (hereinafter – "**Paz**").

On December 30, 2021 the Company and Paz submitted to the Securities Authority an initial draft of a prospectus for the distribution of the Company's shares as a dividend in kind to the shareholders of Paz (hereinafter – "**the spin-off**"), and registration of the Company's shares on Tel Aviv Stock Exchange Ltd. On November 9, 2022 the Company, Paz and Shapir Energy Ltd. entered into an agreement, which was amended on June 21, 2023 and assigned to Shapir Energy Ashdod Ltd., a wholly owned subsidiary of Shapir Engineering & Industry Ltd. (hereinafter – "**Shapir**") on August 3, 2023, by which on the date of completing the spin-off the Company will issue and sell shares and options to Shapir as set forth in the agreement. On August 28, 2023 (hereinafter – "**the spin-off date**") the spin-off process was completed, and on August 30, 2023 the Company's shares were listed for trade on Tel Aviv Stock Exchange Ltd.

On August 17, 2023, the prospectus for the spin-off from Paz was issued after receiving the permits and approvals of the Securities Authority and the Tel Aviv stock exchange. According to the agreement, upon completing the spin-off pursuant to the prospectus, on August 28, 2023, Shapir Energy Ltd. was issued shares at the rate of 10% of the issued and paid in capital of the Company after the issuance against an investment of $ 41 million in the Company. Furthermore, the Company's shares were distributed as a dividend in kind to the shareholders of Paz, at the rate of 85.1% of the issued and paid in capital of the Company after the issuance. The rest of the shares, at the rate of 4.9% of the Company's issued and paid in capital, continue to be held by Paz.

In addition, according to the agreement Shapir was issued unlisted options to acquire the remaining shares of the Company held by Paz, or to be allotted shares by the Company, as chosen by Shapir, which will bring Shapir to a holding of 45.1% or 65% of the Company's shares, at the prices indicated in the agreement. It is noted that the options will not be listed for trade. The calculation of the holding rates and number of shares in each one of the options will not take into account shares acquired by Shapir not according to the agreement. Furthermore, exercise of the options is subject to law, including the regulations and related instructions of the stock exchange, and to the provisions of the Government Companies Order (Declaring the State's Essential Interests in Ashdod Oil Refinery Ltd.) – 2006 (hereinafter: "**the Interests Order**"). It is clarified that if after exercising either one of the aforesaid options Shapir holds more than 19.9% of the Company's issued share capital, the exercise will be subject to Shapir having received a permit/approval pursuant to the Interests Order or confirmation in writing from the Government Companies Authority that no such approval is required.

It was also agreed that Shapir will be permitted to exceed a holding rate of 15.9% of the Company's issued capital only by rising to a holding of more than 19.9% of the Company's share capital (a step-up of at least 4%).

It is noted that the Securities Authority had notified the Company of its position that exercising the options that will be granted to Shapir pursuant to the investment agreement, such as to cross the thresholds prescribed in Section 28 of the Companies Law, is subject to a special tender offer to the Company's shareholders or the Company's shareholders' meeting approving an issuance of the Company's shares following exercise of the options on the date of the exercise, as relevant.

The Company's shares began being traded on the stock exchange on August 30, 2023.

To the best of the Company's knowledge, and based on the information stated in Shapir's financial statements for 2025, in August 2025 and as part of preliminary proceedings to examine the possibility of exercising one of the options granted to Shapir under the agreement, Shapir approached the relevant regulators with a request to hold means of control and to obtain a control permit in the Company, this in accordance with the Interests Order.

Note 1 - General (cont.)

A. The reporting entity (cont.)

The financial statements of Shapir also state that as at the date of approval of the financial statements, Shapir's request to obtain a control permit is not pending, and that it is assessing, in light of all relevant circumstances, the appropriate timing for the exercise of any of the options referred to above. As at the date of approval of these financial statements, Shapir has not yet provided the Company with notice of a decision to exercise the options.

B. Definitions

In these financial statements:

1. Company or Ashdod Refinery - Ashdod Refinery Ltd.
2. Related parties - As defined in International Accounting Standard No. 24 (2009), Related Parties.
3. Interested parties - As defined in paragraph (1) of the definition of interested parties in article 1 of the Securities Law – 1968.
4. Dollar - The U.S. dollar

C. Material events during and subsequent to the reporting period

1. Refinery malfunction

At the beginning of July 2025, the Company announced a malfunction in the production processes following which the refinery facilities are operating on a partial basis. As a result of the malfunction, the Company had to shut down part of the refinery's facilities. The source of the malfunction is substandard raw material that was supplied to the Company by a large international supplier, and it is examining the options available to it and planning to act to fully exploit its rights with the supplier, including the possibility of being reimbursed in respect of the substandard raw material that was supplied to the Company, and with the carriers of the Company's property insurance and consequential loss insurance in order to reduce its damages.

During the reporting period, the Company recognized a reimbursement asset from the supplier in the amount of $ 47 million that was included as a reduction of cost of sales, and compensation income in the amount of $ 40 million from the insurers that was included under other income. Of this amount, $ 11 million was received from the insurance companies during the reporting period, an additional $ 4 million was received from the insurance companies subsequent to the reporting date, and $ 25 million was approved but not yet received as at the date of approval of the financial statements. See also Note 16 below.

During the period, the Company supplied all the needs of its customers, including by importing distillates.

As of October 2025, the refinery has resumed producing standard products at nearly full capacity. As from the date of the malfunction up to the date of resuming almost full production, the Company's profitability declined significantly, which was mainly reflected in the results for the third quarter of 2025.

Further to the actions that were taken by the Company to fully repair the malfunction, during the first quarter of 2026, subsequent to the reporting date, the Company revamped its facilities, as part of which various actions were taken to resume full operations. However, it is noted that part of the damage resulting from the malfunction will be addressed as part of the periodic turnaround planned for 2027, and the Company is continuing to monitor its facilities.

As a result of receiving the substandard raw material the Company accumulated inventory of substandard oil and products. During the reporting period, the Company sold the substandard products at a reduced price.

Note 1 - General (cont.)

C. Material events during and subsequent to the reporting period (cont.)

1. Refinery malfunction (cont.)

As at December 31, 2025, the Company recorded an impairment provision for substandard inventory in the amount of $ 85 million (approximately $ 71 million after tax), based on indications of the inventory's realizable value. This amount reflects the discount the Company is required to give for the substandard inventory and excludes the effect of changes in barrel prices between the purchase date and December 31, 2025. Some of this inventory was sold in the first quarter of 2026.

This provision may be adjusted in the future due to possible changes in the relevant estimates, considering the extent of substandard inventory held by the Company at the relevant dates. It is possible that these impacts will be offset by reimbursement from the supplier and/or the Company's insurers that is higher than the amount the Company recognized in the reporting period as aforesaid, this following the Company's actions to fully exploit its rights with them.

As of December 31, 2025, the Company is in compliance with all the financial covenants with banks and the holders of debentures.

2. "Iron Swords" war (called the War of Redemption pursuant to a government resolution)

On October 7, 2023, the Government of Israel declared the "Iron Swords" war (hereinafter in this section: "the war"), following the attack of the Hamas terrorist organization on the communities surrounding the Gaza strip. At the same time, a military conflict was taking place on the northern border of Israel against the Hezbollah terrorist organization.

The war had material economic effects on the Israeli economy. Among other things, the war has led to a decline in business activity, damage to infrastructures, a wide scale mobilization of reserves, evacuation of residents from their areas of residence, restrictions on transportation and so forth. This in addition to fluctuations in the exchange rate and on the stock and debt markets of the Tel Aviv stock exchange and the State of Israel's debt rating being lowered by the international rating agencies.

The war had an adverse effect on the Company's financial results, mainly by impairing the Company's logistics operations due to difficulties in importing oil and distillate vessels to Israel, reducing demand for distillates on the domestic market, and causing disruptions in the supply of natural gas and condensate.

In addition, at the beginning of May 2024 the Turkish Ministry of Trade announced various restrictions on trade with Israel. As part of the Company's import activity, oil infrastructures in Turkey are used and various products are exported to Turkey. The measures taken by Turkey affect the Company's import and export activities, and especially the export cargoes that had been sold to this destination before the war. In the Company's estimation, these measures may have an immaterial effect on the Company's export activity.

In October 2025 a ceasefire was reached in the Gaza Strip. As at the date of issuing these financial statements, the war is not expected to have a material effect on the Company's ability to meet its liabilities, on the measurement of assets and liabilities or on asset impairment or critical estimates and judgements.

In July 2025 the Company filed a claim pursuant to the Property Tax and Compensation Fund Law - 1961 and the regulations promulgated thereunder, seeking compensation for indirect damage incurred by the Company as a result of the war. In addition, the Company is considering approaching the State with respect to various damages it sustained during and as a result of the war that are not covered under the claim filed with the Property Tax Authority, as described above.

Note 1 - General (cont.)

C. Material events during and subsequent to the reporting period (cont.)

3. Operation “Rising Lion” (Israel-Iran Twelve-Day War)

Operation “Rising Lion” began on June 13, 2025, and in it there was a direct military confrontation between the State of Israel and Iran, which led to a state of emergency being declared on the Israeli home front. The operation ended on June 24, 2025. During the operation the Company acted to continuously supply its customers, including in accordance with orders and instructions that were received from the Fuel Administration from time to time.

Following an Iranian missile attack, Oil Refineries Ltd. (hereinafter: “**ORL**”) advised that the Group’s site had been directly hit, following which the facilities of ORL were shut down. As mentioned in Note 26.B.1, the Company regularly sells Propylene to Carmel Olefins, a private wholly owned company of ORL. Following the hit and the operations of the ORL group being stopped, the transmission of Propylene to Carmel Olefins was discontinued. As a result, the Company had to vaporize the Propylene surpluses, impairing production optimization.

In addition, as a result of the shutdown of the ORL facilities, there was a decline in the volume of LPG production in Israel. Consequently, a temporary regulatory relief was granted to the LPG standard, which enabled the Company to increase the quantities of LPG it sold during that period, which partly offset the shortage and mitigated the adverse impact on production optimization.

Furthermore, in the period of Operation Rising Lion, messages were received from time to time from the Leviathan partnership, by which pursuant to the instruction of the Ministry of Energy, the transmission of natural gas and condensate to the refinery has been discontinued. These breaks did not have a material effect on the Company’s operations, as it purchased natural gas from other available sources.

4. Operation “Roaring Lion” (2026 Iran war)

Subsequent to the reporting period, on February 28, 2026, the State of Israel and the United States launched a joint attack against Iran, aimed at damaging Iran’s missile systems and striking various targets of the Iranian regime. In response, the Iranian regime began launching missiles and UAVs toward the State of Israel and additional countries in the region. On March 1, the hostilities expanded to Lebanon following rocket fire toward Israel by Hezbollah.

Upon commencement of the operation, it was decided that all areas of the country would transition from an unlimited activity level to an essential activity level, which includes prohibitions on educational activities, gatherings, and attendance at workplaces, except for workplaces designated as essential to the economy. In addition, an additional reserve mobilization was carried out for the purposes of the operation.

During the operation, the Company acted and continues to act to continuously supply its customers, including in accordance with orders and directives received from the Fuel Administration. During the operation, joint notices were received from time to time from the Leviathan and Tamar partnerships, according to which, pursuant to instructions from the Ministry of Energy, the supply of natural gas and condensate to the refinery was suspended.

As a result of the operation, the price of a barrel of oil increased significantly and reached a peak of about $ 120 per barrel, and the market structure, which was in a state of backwardation (a condition in which the current price of an asset is higher than its futures price, and a state in which losses arise from inventory hedging), deepened. In addition, there was an increase in logistics costs and an impact on the supply of natural gas and condensate. Conversely, refining margins strengthened significantly, particularly the margins of distillates, diesel and jet fuel, which reached record levels.

The Company is taking advantage of the high margins and is increasing its hedging of distillate margins through the end of 2026.

Note 1 - General (cont.)

C. Material events during and subsequent to the reporting period (cont.)

4. Operation "Roaring Lion" (2026 Iran war) (cont.)

Since this is an event that is not under the control of the Company, matters such as the continued duration of the operation, its possible expansion into additional arenas, as well as other developments, may affect the Company, its financial position, its operating results, and its cash flows. The Company continues to monitor the various developments in order to assess the effect of the operation on its activities. At this time, the Company is unable to assess the effect of the operation on its financial position, its operating results and its cash flows.

5. The marine buoys of the Israel Electric Company

In January 2021 the Company received a copy of the letter of the Head of the National Marine Environment Protection Division of the Ministry of Environmental Protection, which was addressed to the IEC (Israel Electric Company), by which the Ministry of Environmental Protection does not agree to the IEC continuing to use the 24" pipe (the marine pipe that conveys fuel oil to and from the marine buoy of the IEC) after December 2022. Insofar as the use of that pipe is not approved after that date or alternatively no new pipe is built to replace the existing pipe, the Company will not be able to export the fuel oil surpluses through this infrastructure and in the absence of an alternative this could affect the operational continuity of the refinery. In the opinion of the Company, the fuel oil surpluses of the Company constitute 6% of all the products produced by the refinery. On December 20, 2022 the Company received a copy of a letter of the Director General of the Ministry of Environmental Protection to the CEO of the IEC, by which the Ministry of Environmental Protection recommends permitting operation of the buoy until the end of 2027 subject to certain conditions and mainly the performance of periodic examinations and a maintenance program for the pipe and submitting a plan and milestones for creating an alternative for the existing pipe. The IEC received a temporary license for the operation of the buoys until July 31, 2023, which, to the best of the Company's knowledge, has been extended until May 1, 2026.

In addition, the Company learned that the IEC intends to sell the buoys to a different government company. Since the Company is dependent on the buoys, it is important to it that the purchaser of the buoys from the IEC have experience and skill in operating buoys of this type, in order to maintain the operational continuity of the refinery, and that the service be provided at market prices.

In the second quarter of 2024, it was brought to the Company's attention that IEC intends to sell the buoys to Israel Ports Company, and that Israel Ports Company intends to transfer the operation of the buoys to Energy Infrastructures Ltd. Further to this, the Company began initial talks with Energy Infrastructures Ltd. in connection with the supply of unloading and loading services of ships at the marine buoys by Energy Infrastructures Ltd. (instead of IEC) to the Company. On August 7, 2024, a notice was received at the Company from IEC, according to which as long as all the conditions required to complete the sale to Israel Ports Company are met, then the delivery of the buoys to Israel Ports Company and Energy Infrastructures is expected to be carried out on October 1, 2024, and that IEC intends to stop providing service in the buoys as of that date. The Company continues to work with all the relevant parties, including regulatory parties, to ensure that the operational continuity of the buoys is not affected during this process. Despite the aforementioned, the buoys have not yet been delivered, and IEC informed the Company that it will continue to provide the services until the buoys are transferred to Energy Infrastructures Ltd. The Company is unable at this time to assess the effect on the Company of the transfer of operations at the buoys to Energy Infrastructures Ltd.

See Note 26.A.4 hereunder regarding the monetary claim of IEC against the Company with respect to the payments for the marine buoys' services, see Note 26.a.4 below.

Note 1 - General (cont.)

C. Material events during and subsequent to the reporting period (cont.)

6. Military conflict in Europe

On February 24, 2022 Russia invaded Ukraine following a dispute between the two countries. As a result, significant restrictions were imposed on Russia's ability to export energy products. As a result of the aforesaid conflict and sanctions, the price of crude oil has increased significantly following fears from a global supply crisis. The market structure is in Backwardation, which has a negative effect on the financial results of the Company.

In addition, as a result of restrictions on the export of distillates and intermediates from Russia, product margins have increased to record margins for all the products in general, and diesel oil in particular, which has a positive effect on the Company's financial results. The refining margins decreased between the second half of 2022 until 2025, but stayed significantly higher than average.

Since this is an event that is not under the control of the Company, the Company is continuing to regularly monitor the global changes in oil prices and to examine the effects on its business results.

7. The Houthis activity in the Red Sea

The attacks of the Houthis on ships in the Red Sea have an effect on the global supply chain. Inter alia, they cause a significant disruption in the traffic of distillate tankers (mainly diesel oil and jet fuel) from the east to the Mediterranean region and longer shipping routes, which led to an increase in sea freight rates. As a result, the prices of these products in the Mediterranean have increased which has a positive effect on the refining margin.

At the present time, the Company is unable to assess the future effects of continued Houthi attacks in the Red Sea on the Company’s business results.

8. Officers

On January 5, 2025, Mr. Amit Carmel ceased serving as the Company’s CEO.

On January 2, 2025, the Company’s board of directors decided to appoint Mr. Yitzchak (Jacky) Berdugo as the interim CEO beginning from January 5, 2025. Mr. Berdugo is employed at the Company since 1991 in several positions, while in 2020 he was appointed as Deputy CEO and VP of Operation. On April 24, 2025, the Company announced the appointment of Mr. Ronen Yehezkel as CEO of the Company in effect from May 1, 2025. On May 4, 2025 Mr. Jacky Berdugo ceased serving as the interim CEO and returned to his position as the Company’s Deputy CEO, VP of Operation and Head of Production. In accordance with the Board of Directors’ decision to perform an organizational restructuring of the Company, as from May 27, 2025 Mr. Jacky Berdugo serves as the Company’s Deputy CEO and VP of Operation.

9. Raising credit facilities

On December 29 and 30, 2025, the Company extended the agreements with banking entities for credit facilities in the total amount of NIS 1.9 billion for one year. See also Note 20 hereunder.

Note 1 - General (cont.)

C. Material events during and subsequent to the reporting period (cont.)

10. Factoring transaction

On December 29, 2025 the Company extended the framework agreements with banking entities that committed to acquire from the Company liabilities of certain customers, up to a maximum amount of NIS 495 million, for one year.

In accordance with the guidance of IFRS 9, the Company derecognizes from the statement of financial position the factored customer debts, in accordance with the discount rate agreed between the Company and the factors with respect to each customer. See also Note 15 and Note 20 hereunder.

11. Labor agreement

On January 27, 2026, subsequent to the reporting date, the Company received a notification regarding a labor dispute, according to which the Company's employees will be able to take organizational measures according to the directive of the New General Federation of Labor. As at the date of approval of the financial statements, no further notifications have been received. The labor dispute did not have a material effect on the financial statements.

12. Laboratory accident

On February 11, 2026, subsequent to the reporting date, a work accident occurred at the Company’s laboratory, resulting in the deaths of two Company employees. The Company extends its deep condolences to the families and is supporting them during this difficult time. The cause of the accident has not yet been determined and is the subject of a police investigation, which in its framework several Company employees, including two of its senior executives, were questioned on suspicion of allegedly causing death by negligence.

See also Note 26.A.6 hereunder.

13. Carbon tax

On September 30, 2024, the Knesset approved the Customs Tariff and Exemptions and Purchase Tax on Goods Order, 2024. The Order addresses the pricing of local pollutant emissions and greenhouse gases, increases taxation on polluting fuels, and includes a compensation mechanism for industry in respect of the imposition of such tax. On January 21, 2026, subsequent to the reporting date, it was determined that the Company is entitled to a grant under the industry assistance program for adaptation to the increase in excise tax (“carbon tax”). The scope of assistance approved for the Company amounts to NIS 46 million for the years 2025 through 2030. As at December 31, 2025, the Company has recognized accrued income in respect of this assistance in an immaterial amount.

Note 2 - Basis of Preparation

A. Statement of compliance with IFRS

The financial statements were prepared by the Company in accordance with International Financial Reporting Standards (hereinafter: IFRS Accounting Standards).

The financial statements have also been prepared in accordance with the Securities Regulations (Annual Financial Statements) - 2010.

The financial statements were approved for publication by the board of directors of the Company on March 24, 2026.

Note 2 - Basis of Preparation (cont.)

A. Statement of compliance with IFRS (cont.)

The information contained in these financial statements constitutes an unofficial translation of the financial statements published by the Company in Hebrew. The Hebrew version is the binding version. This translation was prepared for convenience purposes only.

B. Functional currency and presentation currency

Until the date of the spin-off, the financial statements were presented in NIS millions which was the functional currency of the Company due to its operation being an integral part of the Paz Group, whose functional currency is NIS.

As from the date of the spin-off, the Company changed its functional currency into the dollar since the dollar is the currency that represents the economic environment of the Company when acting as an independent company in the refining industry.

C. Operating cycle

The Company’s operating cycle is one year. As a result, the current assets and liabilities include items designated and expected to be realized within the Company’s normal operating cycle period.

D. Basis of measurement

The financial statements were prepared on the basis of historical cost, except for the following assets and liabilities: derivative instruments measured at fair value through profit or loss, inventory measured at the lower of cost and net realizable value, loans, deferred tax assets and liabilities, provisions, liabilities for authorization fees and liabilities in respect of employee benefits.

For additional information pertaining to the measurement of these assets and liabilities, see Note 3, *Material Accounting Policies*.

E. Capital management – objectives, procedures, and processes

Management policy is to maintain a strong capital base with the goal of preserving the ability of the Company to continue its operations so as to generate a return for its shareholders, benefits to other holders of interests in the Company, such as credit providers and Company employees, and also in order to support its future business development. The Board of Directors also supervises the amounts of dividend distributions to ordinary shareholders. The Company is not subject to capital requirements by virtue of laws or regulations.

F. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS, requires the Company's management to make judgments, assessments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Company’s financial statements requires that management of the Company makes assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Note 2 - Basis of Preparation (cont.)

F. Use of estimates and judgments (cont.)

Critical estimates

Presented below is information pertaining to critical estimates that were made while implementing accounting policy, which have a material impact on the financial statements:

Impairment of assets – On each reporting date, the Company examines whether events have occurred or whether changes in circumstances have occurred that indicate that a decline in value has occurred in connection with one or more of the non-monetary assets. When indications of a decline in value exist, the Company assesses whether the amount at which the investment is presented is recoverable from the discounted cash flows expected from the asset and, where necessary, it records a provision for decline in value up to the recoverable amount. The discounting of the cash flows is calculated using an after-tax discount rate that reflects the market assessments regarding the time value of money and the specific risks attributed to the asset. Determining the estimates of the cash flows is based on the past experience of the asset or similar assets, and on the best assessment of the Company regarding the economic conditions that will exist over the remainder of the useful life of the asset. Changes in the assessments of the Company may result in significant changes in the carrying amount of the assets and the results of operations.

Inventory measurement – At each reporting date, the Company ascertains whether changes occurred in the net realizable value of the inventory. If the realizable value of the inventory is lower than its cost, a provision for impairment is recorded in an amount up to the net realizable value. The realizable value of crude oil is determined in accordance with the realizable value of the distillates expected to be produced from the oil, less the expected production costs. The net realizable value of oil distillates is determined on the basis of the selling price of the inventory less estimated selling costs. Regarding inventory in the production process and the finished goods inventory, cost includes the part that is attributed to production overhead, based on normal capacity. Net realizable value is an estimate of the selling price during the normal course of business, less the estimated conversion costs and the estimated costs required to conduct the sale. A change in the estimate of the net realizable value of the inventory may lead to a change in the results of operations.

Assessment of the estimated useful life span of fixed asset items – At least once a year, the Company re-assesses the useful life span of fixed asset items, based on, among other things, the estimates of internal engineers, possessing the relevant know-how and professional experience, which are based on, among other things, the past experience accumulated by the Company. Changes in estimates of the useful life span of fixed asset items may lead to an increase or decrease in depreciation expenses carried to profit and loss and to a change in the results of operations.

Assessment of probability of contingent liabilities – At each reporting date the Company examines reversal or creation of a provision for claims, based on an assessment whether it is more likely than not that an outflow of economic resources will be required in respect of legal claims pending against the Company. For information on the Company’s exposure to claims see Note 26.A regarding contingent liabilities.

Note 3 - Material Accounting Policies

A. Foreign currency

(1) Transactions in foreign currency

Transactions in NIS or in a foreign currency other than the dollar are translated to the functional currency of the Company at the exchange rate in effect on the dates of the transactions. Some of the revenues are recognized at an average monthly exchange rate, when the product's supply is spread over the month. Monetary assets and liabilities denominated in NIS or in a foreign currency other than the dollar on the reporting date, are translated to the functional currency using the exchange rate in effect on that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Exchange rate differences deriving from translation to functional currency are carried to profit and loss, with the exchange rate differences from customers and suppliers being presented in revenues and cost of sales, respectively, and the other exchange rate differences being presented in financing expenses. Non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

(2) Index and foreign currency data

The following table presents significant data on Consumer Price Index (CPI) and foreign currency exchange rates:

	Year ended December 31,			**As of December 31,**		
	2025	**2024**	**2023**	**2025**	**2024**	**2023**
	% change			**Rate at reporting date**		
NIS 1 to dollar	14.23	(0.72)	(2.82)	0.313	0.274	0.276
$ 1 to NIS	(12.53)	0.55	3.07	3.19	3.647	3.627
Current month CPI in points (2006 average basis)	2.64	3.24	2.96	141.26	137.62	133.30
Known CPI in points (2006 average basis)	2.37	3.42	3.34	141.26	137.99	133.43

B. Financial instruments

(1) <u>Non-derivative financial assets</u>

Initial recognition and measurement of financial assets

The Company initially recognizes trade receivables, other receivable and deposits on the date that they are created. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset.

Note 3 - Material Accounting Policies (cont.)

B. Financial instruments (cont.)

(1) Non-derivative financial assets (cont.)

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Company to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred.

When the Company retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

The Company carries out factoring transactions and derecognizes the customer balance on the date of the transaction.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost or fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

All financial assets not classified as measured at amortized cost as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss. On initial recognition, the Company designates financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses

Financial assets at amortized cost:

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses.

Financial assets at fair value through profit or loss:

These assets are subsequently measured at fair value. Net gains and losses are recognized in profit or loss.

(2) Non-derivative financial liabilities

Non-derivative financial liabilities include: trade payables, other payables, a lease liability and a liability for authorization fees, loans and credit from banking and non-banking entities.

Initial recognition of financial liabilities

The Company initially recognizes debt instruments issued on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Note 3 - Material Accounting Policies (cont.)

B. Financial instruments (cont.)

(2) Non-derivative financial liabilities (cont.)

Subsequent measurement of financial liabilities

Financial liabilities (except for financial liabilities designated for fair value through profit and loss) are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Transaction costs directly attributable to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset in the framework of deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon its initial recognition, or are amortized as financing expenses in the statement of income when the issuance is no longer expected to occur.

De-recognition of financial liabilities

Financial liabilities are de-recognized when the obligation of the Company, as specified in the agreement, expires or when it is discharged or cancelled.

(3) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its exposure to currency risks and oil price fluctuation risks and refining margin risks. Furthermore, the Company issued options to purchase shares of the Company, which are derivatives that do not serve hedging purposes.

Measurement of derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

Economic hedges

Hedge accounting is not applied to derivative instruments that are economic hedges. Changes in the fair value of derivatives on the prices of oil and refining margins are classified to cost of sales and revenues.

Derivatives that do not serve hedging purposes

The changes in fair value of derivatives that do not serve hedging purposes are recognized in profit or loss as financing income or expenses. The Company also applies this accounting treatment to changes in the fair value of options that do not have a fixed exercise price.

C. Inventory

Inventory is presented at the lower of cost or net realizable value.

Cost is determined as follows:

Raw materials, intermediate goods and finished goods – on the first-in-first-out basis (FIFO). The cost of the inventory includes all of the costs of purchase, conversion and other costs incurred in bringing the inventory to its current location and condition.

In the case of inventory of work in progress and inventory of manufactured goods, cost includes an appropriate share of production overheads, based on normal capacity. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of conducting the sale.

Note 3 - Material Accounting Policies (cont.)

C. Inventory (cont.)

Net realizable value of the crude oil inventory was determined on the basis of selling prices less expected selling expenses of the distillates in accordance with the expected production mix in the following month. The net realizable value of distillates is based on their selling prices, less expected selling expenses. In the reporting year, the Company also accumulated inventory of substandard raw material, whose realizable value was determined based on the expected realization as raw material, rather than on the selling price of products.

D. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

According to the Company's declared policy regarding environmental preservation and in accordance with the requirements of the law, the permits, licenses and directives of the Ministry for Environmental Protection, a provision is recognized for the management of the Company’s environmental quality framework while preventing pollution from the facilities of the Company and protecting the environment as best as possible.

A provision for claims is recognized if, as a result of a past event, the Company has a present legal or constructive obligation and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably.

E. Fixed assets

(1) Recognition and measurement

Fixed asset items are measured at cost, net of accumulated depreciation and net of accumulated impairment losses. The cost of fixed assets includes expenses that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor and any other cost that can be directly attributed to bringing the asset to the location and condition necessary for it to operate in the manner intended by management.

When major parts of fixed assets (including the costs of major periodic inspections) have different useful lives, they are accounted for as separate items (major components) of fixed assets.

A gain or loss on the disposal of a fixed asset item is determined by comparing the net consideration from disposal of the asset to its carrying amount and is recognized in a net amount as part of other income or other expenses, as relevant, in the statement of profit or loss.

Spare parts, servicing equipment and stand-by equipment are classified as fixed assets when they meet the definition of fixed assets in IAS 16.

(2) Subsequent costs

The cost of replacing part of a fixed asset item is recognized as part of the carrying amount of such asset if it is expected that the future economic benefit inherent in the item shall flow to the Company and that its cost can be reliably measured. The carrying amount of the replaced part is derecognized. Current maintenance costs are expensed as incurred.

(3) Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life.

An asset is depreciated from the date it is ready for use, i.e., the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item. Freehold land is not depreciated.

The estimated useful lives of the assets for the current period and the comparative periods are as follows:

	Years
Buildings	15-50
Refining and cracking facilities	25-70
Tanks	30-70
Power plant	25-33
Other equipment	5-20 (mainly 15)
Computers	5-7
Equipment and furniture	5-20
Motor vehicles	5-8

The estimates pertaining to the method of depreciation, useful life and residual value are reassessed in each reporting year and are adjusted when necessary.

In order to ensure proper and ongoing functionality of the facilities, the Company carries out regular turnaround at the facilities once every 6 years approximately. Costs actually expended in respect of the periodic maintenance of the facilities including related direct costs are capitalized and depreciated over the period until the next planned maintenance. Due to the substandard raw material incident described in Note 1, the upcoming turnaround was brought forward to 2027, approximately five years after the previous turnaround.

F. Impairment

Non-financial assets

Timing of impairment testing

The carrying amounts of the Company's non-financial assets that are not inventory and deferred tax assets, is tested at every reporting date in order to determine whether there are indications of impairment. If such indications exist, the estimated recoverable amount of the asset is calculated.

Measurement of recoverable amount

The recoverable amount of an asset is the higher of its value in use and its net selling price (fair value, less selling expenses). In determining value in use, the Company discounts the forecasted future cash flows using an after-tax discount rate that reflects the market's estimate regarding the time value of money and the specific risks attributed to the asset, for which the estimated future cash flows from the asset were not adjusted.

Recognition of impairment losses

Impairment losses are recognized when the carrying amount of the asset exceeds the recoverable amount, and are carried to profit or loss.

Reversal of impairment losses

Impairment losses recognized in previous periods are retested at each reporting date in order to determine whether there are indications that the losses decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, only in the event that the carrying amount of the asset, after reversal of the impairment loss, does not exceed the carrying amount less depreciation or amortization, that would have been determined had the impairment loss not been recognized.

Note 3 - Material Accounting Policies (cont.)

G. Employee benefits

The Company has several post-employment benefit plans. The plans are usually financed by deposits with insurance companies or funds managed by a trustee, and they are classified as defined contribution plans and as defined benefit plans.

(1) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. The commitments of the Company to deposit in a defined contribution plan are expensed during the periods in which the employees rendered the related services.

(2) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net commitment of the Company relating to a defined benefit plan in respect of post-employment benefits is calculated in respect of each plan separately by estimating the future amount of the benefit that will reach the employee in consideration of his services, in the current period and in prior periods. This benefit is presented at its present value, net of the fair value of the assets of the plan. The Company determines the net interest on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). The discount rate is determined in accordance with the yield at the reporting date of high-quality linked corporate debentures, the currency of which is the shekel and the repayment date of which is similar to the terms of the commitment of the Company. The calculations are made annually by a qualified actuary, in accordance with the projected unit credit method.

When, as a result of the calculations, an asset is generated for the Company, an asset is recognized up to the net amount of the present value of economic benefits available in the form of a refund from the plan or a reduction in the future deposits to the plan. An economic benefit in the form of a refund or reduction in future deposits will be considered to be available when it can be realized during the life span of the plan or after the liability is settled. This calculation will take into consideration any minimum funding requirements that are relevant to the plan.

When the benefits of a plan are improved or curtailed, the portion of the increased benefit relating to past service by employees or the gain or loss on curtailment are recognized immediately in profit or loss when the plan improvement or curtailment occurs.

Re-measurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). Re-measurements are recognized immediately directly in retained earnings through other comprehensive income. Interest costs on a defined benefit obligation and interest income on plan assets that were recognized in profit or loss are presented under financing income and expenses, respectively.

The Company offsets an asset relating to one benefit plan from the liability relating to another benefit plan only when there is a legally enforceable right to use the surplus of one plan to settle the obligation in respect of the other plan, and there is intent to settle the obligation on a net basis or to simultaneously realize the surplus of one plan and settle the obligation in the other plan.

(3) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave). A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Note 3 - Material Accounting Policies (cont.)

G. Employee benefits (cont.)

(3) Short-term benefits (cont.)

The employee benefits are classified for measurement purposes as short-term benefits or as other long-term benefits according to the forecast of the Company to fully settle the benefits.

(4) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than post-employment benefit plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate of the obligation is determined according to the yield at the reporting date on high quality shekel-denominated corporate debentures, that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognized directly in profit or loss in the period in which they arise.

H. Revenues

The Company recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Company expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

Sales of the Company's products in Israel are usually recognized when the goods are taken from the premises of the plant, or alternatively according to the agreement with the customers.

In the case of goods not yet taken, the Company recognizes revenues when all the following criteria have been met:

- The arrangement was requested by the customer.
- The product is distinctly identifiable as belonging to the customer.
- The product is available for being physically transferred to the customer.
- The Company is unable to use the goods or direct them to a different customer.

Sales outside of Israel are mainly recognized when the goods are loaded onto the carrier's means of transportation, according to the commercial terms of the transaction.

I. Environmental costs

Current costs incurred in the operation and maintenance of facilities for the prevention of environmental pollution and expected provisions for costs relating to rehabilitation of the environment, deriving from current or past operations are carried to the statement of profit or loss. Costs incurred in the construction of facilities for the prevention of environmental pollution, which increase the life span or efficiency of the facility or reduce or prevent pollution of the environment, are carried to the cost of the fixed assets and are depreciated in accordance with the depreciation policy applied by the Company.

J. Financing income and expenses

Financing income includes interest income in respect of amounts invested and changes in the fair value of financial assets presented at fair value through profit or loss. Interest income is recognized as it accrues, using the effective interest method.

Changes in the fair value of financial assets stated at fair value through profit or loss also include interest income.

Note 3 - Material Accounting Policies (cont.)

J. Financing income and expenses (cont.)

Financing expenses include interest expenses on loans received, interest on factoring transactions, changes in time value of provisions, changes in fair value of financial assets and financial liabilities presented at fair value through profit or loss. Borrowing costs are carried to the statement of profit or loss using the effective interest method.

The item also includes income and expenses from exchange rate differences, other than exchange rate differences in respect of suppliers and customers that are presented in cost of sales and revenues, respectively.

In the statements of cash flows, interest received is presented as part of cash flows from investing activities, and interest and dividends paid are presented as part of cash flows from financing activities.

K. Income tax

Income taxes include current and deferred taxes. Current and deferred taxes are carried to the statement of profit or loss or directly to equity or to other comprehensive income to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current taxes

The current tax is the amount of tax expected to be paid on taxable income during the tax year, using tax rates enacted or substantively enacted at the reporting date. It also includes changes in tax payments relating to prior years.

Deferred taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxes are measured on the basis of the tax rates expected to apply to the temporary differences when they are realized, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized in the accounting records in respect of tax loss carryforwards, tax benefits and temporary differences that are deductible, when it is expected that in the future, the Company will have taxable income or taxable temporary differences against which the deferred tax asset can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

L. Leases

(1) Determining whether an arrangement contains a lease

On the inception date of the lease, the Company determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(2) Leased assets and lease liabilities

Contracts that award the Company control over the use of a leased asset for a period in exchange for consideration, are accounted for as leases. Upon initial recognition, the Company recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease.

Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model, and depreciated over the shorter of the lease term or useful life of the asset.

Note 3 - Material Accounting Policies (cont.)

L. Leases (cont.)

(3) The lease term

The lease term is the non-cancellable period of the lease.

(4) Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset.

(5) Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

The estimated useful lives for the current period and the comparative periods are as follows:

	Years
Motor vehicles	3-5
Tanks	3-10

(6) Lease modifications

When a lease modification increases the scope of the lease by adding a right to use one or more underlying assets, and the consideration for the lease increased by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the contract's circumstances, the Company accounts for the modification as a separate lease.

In all other cases, on the initial date of the lease modification, the Company allocates the consideration in the modified contract to the contract components, determines the revised lease term and measures the lease liability by discounting the revised lease payments using a revised discount rate.

For lease modifications that decrease the scope of the lease, the Company recognizes a decrease in the carrying amount of the right-of-use asset in order to reflect the partial or full cancellation of the lease, and recognizes in profit or loss a profit (or loss) that equals the difference between the decrease in the right-of-use asset and re-measurement of the lease liability.

For other lease modifications, the Company re-measures the lease liability against the right-of-use asset.

M. Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for an issuance of rights.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Note 3 - Material Accounting Policies (cont.)

N. Contingent assets

Contingent assets arising from unplanned events or other unforeseen past events that give rise to the possibility of a positive inflow of economic benefits to the entity are not recognized in the financial statements, unless, and only if, the realization of the income is virtually certain.

O. Initial application of new standards and standards not yet adopted

(1) IFRS 18, *Presentation and Disclosure in Financial Statements*

This standard replaces IAS 1, *Presentation of Financial Statements*. The purpose of the standard is to provide improved structure and content to the financial statements, particularly the income statement. The standard includes new disclosure and presentation requirements that were taken from IAS 1, *Presentation of Financial Statements*, with small changes. As part of the new disclosure requirements, companies will be required to present two subtotals in the income statement: operating profit and profit before financing and taxes. Furthermore, for most companies, the results in the income statements will be classified into three categories: operating profit, profit from investments and profit from financing. In addition to the changes in the structure of the income statements, the standard also includes a requirement to provide separate disclosure in the financial statements regarding the use of management-defined performance measures (non-GAAP measures). Furthermore, the standard adds specific guidance for aggregation and disaggregation of items in the financial statements and in the notes. The standard will encourage companies to avoid classifying items as ‘other’ (for example, other expenses), and using this classification will lead to additional disclosure requirements.

The standard is effective from annual reporting periods beginning on or after January 1, 2027 with earlier application being permitted.

The Company is examining the effects of the standard on its financial statements with no plans for early adoption.

Note 4 - Determination of Fair Value

As part of accounting policy and disclosure requirements, the Company is required to determine the fair value of financial and non-financial assets and liabilities. Fair value is determined for measurement and/or disclosure purposes on the basis of the methods described below. Additional information regarding the assumptions used in determining fair value is provided in the notes that deal with the specific asset or liability.

Derivatives

The fair value of forward contracts on foreign currency is based on their listed market price when available. In the absence of such market price, fair value is estimated on the basis of discounting the difference between the forward price denominated in the contract and the current forward price in respect of the balance of the period to maturity, using an appropriate interest rate.

The fair value of derivative financial instruments on the prices of commodities (crude oil and products) is based on their market prices as publicized in the London commodities market.

For additional information regarding the fair value hierarchy, see Note 25.F.

Note 5 - Revenues

A. Composition:

$ millions	Year Ended December 31,		
	2025	**2024**	**2023**
Local market	2,494	2,499	2,944
Export	464	656	761
Electricity and others	70	61	69
Total	3,028	3,216	3,774
Breakdown of revenues from main customers:			
Customer A	1,489	1,556	2,067
Customer B	380	388	437

B. Composition of revenues according to substance:

$ millions	Year Ended December 31,		
	2025	**2024**	**2023**
Gasoline	1,121	1,196	1,320
Diesel fuel	1,017	1,059	1,278
Kerosene	366	365	460
Fuel oil	128	100	238
Others (includes electricity and dispensing)	396	496	478
Total	3,028	3,216	3,774

Note 6 - Cost of Sales

	Year Ended December 31,		
$ millions	**2025**	**2024**	**2023**
Materials consumed	2,764	2,953	3,302
Reimbursement receivable from the supplier in respect of substandard raw material*	(47)	-	-
Salaries and related expenses	44	39	46
Maintenance and infrastructure	56	48	55
Depreciation and amortization	69	67	67
Electricity, water and gas services to power plants	60	55	65
Taxes and levies	10	9	13
Insurance	8	9	7
Others	2	2	2
Total	2,966	3,182	3,557

* See Note 1.C.1

Note 7 - Selling Expenses

	Year Ended December 31,		
$ millions	**2025**	**2024**	**2023**
Export expenses	7	14	9
Transportation	1	1	1
	8	15	10

Note 8 - General and Administrative Expenses

	Year Ended December 31,		
$ millions	**2025**	**2024**	**2023**
Management expenses *	-	-	1
Professional and computer services	6	5	4
Salaries	8	6	7
Other	2	2	1
	16	13	13

* Until the spin-off, in accordance with the service purchase agreement with Paz, including the employment cost of the CEO.

Note 9 - Financing Expenses and Income

$ millions	Year Ended December 31, 2025	2024	2023
Financing expenses			
Interest expenses on debentures	18	15	11
Interest expenses to Paz	-	-	*
Interest expenses on lease liability	1	1	1
Interest expense on loans from banks	8	7	8
Interest expense on suppliers' credit	9	11	11
Other interest expenses and commissions	9	9	19
Net loss from change in exchange rates	41	11	8
	86	54	58
Financing income			
Interest income	3	1	2
Other financing income	-	2	1
	3	3	3

* Less than $ 1 million.

Note 10 - Income Tax

A. Details regarding the tax environment of the Company

(1) Corporate tax rates

The tax rate relevant to the Company in the years 2023-2025 is 16%.

Current taxes for the reported periods are calculated according to the tax rates presented above.

(2) Benefits under the Law for the Encouragement of Industry (Taxes)

The Company qualifies as an “Industrial Company” as defined in the Law for the Encouragement of Industry (Taxes) – 1969 and accordingly it is entitled to benefits of which the most significant is higher rates of depreciation.

(3) Amendment to the Law for the Encouragement of Capital Investments - 1959

The Company made a strategic decision whereby it undertook to export at least 25% of its revenues commencing from 2013. As a result, Ashdod Refinery will be in compliance with the conditions set out in the Law for the Encouragement of Capital Investments – 1959 and on the basis of its status as a preferred enterprise, will be entitled to a reduced tax rate of 16% from 2014 and thereafter (see below).

Note 10 - Income Tax (cont.)

A. Details regarding the tax environment of the Company (cont.)

(3) Amendment to the Law for the Encouragement of Capital Investments - 1959 (cont.)

On December 29, 2010 the Knesset approved the Economic Policy Law for 2011-2012, which includes an amendment to the Law for the Encouragement of Capital Investments – 1959 (hereinafter: "the Amendment"). The Amendment is effective from January 1, 2011 and its provisions apply to preferred income derived or accrued in 2011 and thereafter by a preferred company, per the definition of these terms in the Amendment.

The Amendment provides that only companies in Development Area A will be entitled to the grants track and that they will be entitled to receive benefits under this track and under the tax benefits track at the same time. In addition, the existing tax benefit tracks were eliminated (the tax exempt track, the "Ireland" track and the "Strategic" track) and two new tax tracks were introduced in their place, a preferred enterprise and a special preferred enterprise, which mainly provide a uniform and reduced tax rate for all the company's income entitled to benefits. On August 5, 2013 the Knesset passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) – 2013, which raised the tax rates on preferred income as from the 2014 tax year as follows: 9% for Development Area A and 16% for the rest of the country.

The Amendment also provides that no tax will apply to a dividend distributed out of preferred income to a shareholder that is an Israeli resident company. A tax rate of 20% shall apply to a dividend distributed out of preferred income to an individual shareholder or foreign resident, subject to double taxation prevention treaties.

In the opinion of the Company, in the future it will meet the requirement of exporting more than 25% of its sales.

B. Composition of income tax expenses

	Year Ended December 31,		
$ millions	**2025**	**2024**	**2023**
Deferred tax income (expenses)			
Creation and reversal of temporary differences	25	12	(23)

Note 10 - Income Tax (cont.)

C. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense:

	Year Ended December 31,		
$ millions	**2025**	**2024**	**2023**
Profit (loss) before taxes on income	(10)	(46)	139
Primary tax rate of the Company	16%	16%	16%
Tax calculated according to primary tax rate	(2)	(7)	22
Non-deductible expenses	*	*	1
The effect of changing the depreciation rate of fixed assets for tax purposes on the carried forward loss	-	(2)	-
The difference between the measurement base in the financial statements and the measurement base for tax purposes	(11)	(3)	-
Tax expenses (income)	(13)	(12)	23

* Less than $ 1 million.

For information regarding the primary tax rate applicable to the Company, see section A (3) in this note.

Note 10 - Income Tax (cont.)

D. Deferred taxes

Composition:

$ millions	Liabilities in respect of employee benefits	Accumulated loss for tax purposes and derivatives	Fixed and other assets	Right-of-use assets	Lease liabilities	Other**	Total
Balance as of January 1, 2023	2	68	(92)	(4)	4	29	7
Changes carried to statement of profit or loss	*	(22)	5	1	(1)	(6)	(23)
Changes carried to other comprehensive income	*	(2)	3	*	*	(1)	*
Balance as of December 31, 2023	**2**	**44**	**(84)**	**(3)**	**3**	**22**	**(16)**
Changes carried to statement of profit or loss	*	2	11	(1)	1	(1)	12
Changes carried to other comprehensive income	*	-	-	-	-	-	*
Balance as of December 31, 2024	**2**	**46**	**(73)**	**(4)**	**4**	**21**	**(4)**
Changes carried to statement of profit or loss	*	*	9	1	(1)	4	13
Changes carried to other comprehensive income	*	-	-	-	-	-	*
Balance as of December 31, 2025	**2**	**46**	**(64)**	**(3)**	**3**	**25**	**9**

* Less than $ 1 million.

** Includes mainly a deferred tax asset in respect of the tax assessment agreement for 2015-2018 in the amount of $ 1 million as at December 31, 2025 and 2024, and a deferred tax asset in respect of goodwill in the amount of $ 22 million and $ 19 million as at December 31, 2025 and 2024, respectively.

E. Tax loss carryforwards

As at December 31, 2025, the Company has a business loss in the total amount of $ 269 million according to a tax assessment agreement for 2015-2018 that was signed in December 2020, (as at December 31, 2024, in an amount of $ 285 million). The Company recognized a deferred tax asset in respect of these losses.

F. Tax assessments

The Company has final tax assessments up to and including 2020.

Note 11 - Fixed Assets

$ millions	Land and buildings**	Plants and equipment	Computers, office furniture and equipment	Motor vehicles	Construction work in progress and spare parts	Total
Cost/deemed cost:						
Balance as of January 1, 2025	100	1,401	27	1	70	1,599
Additions	*	9	2	*	18	29
Disposals	-	-	-	*	-	*
Construction work in progress that ended	*	5	*	*	(5)	-
Balance as of December 31, 2025	100	1,415	29	1	83	1,628
Accumulated depreciation						
Balance as of January 1, 2025	17	876	22	1	27	943
Additions	*	58	2	*	2	62
Disposals	-	-	-	*	-	*
Balance as of December 31, 2025	17	934	24	1	29	1,005
Carrying amount as of December 31, 2025	83	481	5	*	54	623

* Less than $ 1 million.

** The Company holds the rights to register as the owners of the property in Ashdod on which the refinery is located.

*** For additional information regarding the rights of the Company to land and buildings, see Note 26.B.(2) below.

Note 11 - Fixed Assets (cont.)

$ millions	Land and buildings**	Plants and equipment	Computers, office furniture and equipment	Motor vehicles	Construction work in progress and spare parts	Total
Cost/deemed cost:						
Balance as of January 1, 2024	96	1,377	24	1	77	1,575
Additions	1	19	1	*	3	24
Disposals	-	-	-	-	-	-
Construction work in progress that ended	3	5	2	-	(10)	-
Balance as of December 31, 2024	100	1,401	27	1	70	1,599
Accumulated depreciation						
Balance as of January 1, 2024	16	821	21	1	24	883
Additions	1	55	1	*	3	60
Disposals	-	-	-	-	-	-
Balance as of December 31, 2024	17	876	22	1	27	943
Carrying amount as of December 31, 2024	83	525	5	*	43	656

* Less than $ 1 million.

** The Company holds the rights to register as the owners of the property in Ashdod on which the refinery is located.

*** For additional information regarding the rights of the Company to land and buildings, see Note 26.B.(2) below.

Note 12 - Deposit in Trust

In 2009 a series of collective agreements was signed in which it was decided to liquidate Ashdod Early Pension Company Ltd. (hereinafter: "AEP" – a special company that was founded as part of the 2006 early retirement agreement and its purpose was to hold money intended to guarantee the retirement rights of employees who transferred from ORL to the Company), to annul a loan agreement between the Company and AEP and to replace the guarantee for the pension money held by AEP with a trust at Adad Trust Company Ltd. On the date of signing the agreement an amount of NIS 64 million was deposited in a trust.

According to the agreement the deposit's original expiry date was on January 24, 2018 and on that date a recalculation was made of the amount that should be deposited in trust and the amount that should be returned to the Company. The new calculation was approved and signed by the Company, the employees' committee and the New General Federation of Workers and was transferred to the trustee. According to the trust agreement, the trustee closed the new amount of the guarantee in a deposit.

As at the date of the statement of financial position, the balance of the deposit is $ 11 million.

Note 13 - Long-Term Other Receivables

	December 31,	
$ millions	**2025**	**2024**
Tax assets	2	1
Fund for sick pay	2	2
Loans to employees (1)	*	*
Less – current maturities	*	*
	4	3

(1) The loans are unlinked and bear interest at the rate of the Accountant General.

* Less than $ 1 million.

Note 14 - Inventory

	December 31,	
$ millions	**2025**	**2024**
Finished goods	125	145
Raw materials and intermediate products	105	135
	230	280

The balance of the inventory as of December 31, 2025 includes a provision for impairment in the amount of $ 99 million. See also Note 1.C.1 above.

The balance of the inventory as of December 31, 2024 includes a provision for impairment in the amount of $ 4 million.

Note 15 - Trade Receivables

$ millions	December 31, 2024	2023
Local market customers	116	110
Other customers	*	1
	116	111

* Less than $ 1 million.

The Company entered into factoring agreements with banking entities with respect to the liabilities of certain customers up to a maximum amount of NIS 495 million ($ 155 million). In accordance with the guidance of IFRS 9, the Company derecognizes from the statement of financial position the factored customer debts. See also Note 20 hereunder.

Customer debts in the amount of $ 124 million have been derecognized as at December 31, 2025.

Note 16 - Other Receivables

$ millions	December 31, 2024	2024
Government institutions	*	7
Advances and deposits to others	12	11
Accrued income **	77	-
Prepaid expenses	6	6
Current maturities in respect of loans to employees (see Note 13)	*	*
Deposits to suppliers	*	*
	19	24

* Less than $ 1 million.

** As mentioned in Note 1.C.1 above, following the substandard raw material incident, as at December 31, 2025 the Company recognized deferred income in respect of reimbursement from the supplier and the carriers of the Company's property insurance.

Note 17 - Cash and Cash Equivalents

	December 31,	
$ millions	2025	2024
Cash balances held in banks in NIS	272	257
Cash balances held in banks in other currency (mainly USD)	17	*
Cash and cash equivalents	289	257

For information regarding the exposure of the Company to interest rate risks, see Note 25.

Note 18 - Equity

A. Share capital

	Ordinary shares		
	2025	2024	2023
Issued and paid in share capital as at January 1 (*)	12,493,813	12,493,813	17,680
Split of share capital (**)	-	-	1,750,320
Issuance of shares for no consideration (**)	-	-	9,476,431
Issued for cash during the period (**)	-	-	1,249,382
Issued and paid in share capital as at December 31,	12,493,813	12,493,813	12,493,813
Authorized share capital	1,000,000,000	1,000,000,000	1,000,000,000

* Issued and paid in share capital until the spin-off date:

Ordinary A shares of NIS 1 par value	- 1	Grant the shareholders voting rights at the general meetings, rights to appoint directors and the right to NIS 1 from the Company's surpluses upon liquidation.
Ordinary B shares of NIS 1 par value	- 17,679	Grant the shareholders all of the rights to distribution of Company profits as dividends and to the rest of the Company's surpluses upon liquidation.

** On August 17, 2023, a prospectus was issued on the stock exchange for listing the Company's shares as a dividend in kind to shareholders of Paz. In this framework, the Company's share capital was consolidated into one class of ordinary shares having equal rights and was split into shares of NIS 0.01 par value each, and 9,476,431 ordinary shares of NIS 0.01 par value were issued for no consideration. At the same time as distributing the shares of the Company as a dividend in kind, 1,249,382 ordinary shares of NIS 0.01 par value each that constitute 10% of the Company's issued and paid in share capital were issued to Shapir. The spin-off was completed on August 28, 2023. See also Note 1 above.

Note 18 - Equity (cont.)

B. Capital reserve from translation differences

The reserve from translation differences contains all of the foreign currency differentials deriving from translation of the financial statements of the Company until December 31, 2008, from the dollar functional currency to the shekel presentation currency, and the currency differentials deriving from translation of its financial statements until the spin-off date and the change of the functional currency from NIS to dollar.

C. Earnings (loss) per share

The calculation of basic and diluted earnings per share was based on the profit attributable to the Company's ordinary shareholders divided by a weighted average number of ordinary shares outstanding, calculated as follows:

	Ordinary shares		
Weighted average number of ordinary shares	**2025**	**2024**	**2023**
Balance as at January 1*	12,493,813	12,493,813	11,244,431
Shares issued during the year	-	-	1,249,382
Weighted average number of ordinary shares used to calculate basic and diluted earnings (loss) per share as at December 31	12,493,813	12,493,813	12,493,813

* Pursuant to the guidance of IAS 33, the number of shares was amended retroactively in respect of the distribution of shares to Paz on the spin-off date for no consideration.

Note 19 - Employee Benefits

A. General

1. Employee benefits include post-employment benefits and short-term benefits. Regarding post-employment benefits, the Company has defined benefit plans in respect of which it deposits amounts in appropriate insurance policies. The defined benefit plans grant employees who are eligible for the benefit a one-time payment based on the employees' salary agreements and the collective agreement. In addition, the Company has a defined contribution plan in respect of some of its employees who are subject to Article 14 of the Severance Pay Law – 1963.
2. In accordance with the Company's labor agreements, the liability for post-employment benefits is calculated such that in respect of seniority of 20-30 years, a severance bonus will be paid at a rate of 50% for every year of work and in respect of seniority in excess of 30 years, a severance bonus will be paid at a rate of 100% for each year of service.
3. Employees and retirees of the Company are entitled to receive, in addition to pension and/or severance payments, other benefits, the major one being holiday gifts. Based on an actuarial calculation, the Company set up a provision in respect of its retirees and in respect of its employees, taking into consideration the remainder of the period until their retirement.
4. In accordance with the salary agreements with employees, the Company has a liability to compensate some of the employees when they reach retirement age in respect of unutilized sick days. The compensation in respect of the unutilized sick days is equal to 20% of the balance of accumulated days, up to a ceiling of 250 days. Based on the opinion of an actuary, the Company set up a provision for the unutilized sick days.

Note 19 - Employee Benefits (cont.)

B. Composition of employee benefits

$ millions	December 31,	
	2025	**2024**
Liability recognized in respect of defined benefit plan - presented as part of non-current liabilities	19	14

C. Post-employment benefit plans – defined benefit plan

(1) Change in defined benefit plans

$ millions	December 31,	
	2024	**2024**
Balance as of January 1	14	15
Expense included in profit or loss:		
Current service cost	1	*
Interest cost	1	1
Foreign exchange differences	2	*
Recognized in other comprehensive income:		
Actuarial losses (gains) deriving from changes in financial assumptions	2	*
Other actuarial losses (gains)	*	-
Additional changes:		
Benefits paid	(1)	(2)
Balance as of December 31	19	14

* Less than $ 1 million.

(2) Actuarial assumptions

The major actuarial assumptions as of the date of the report (weighted average):

	2025	**2024**
	%	**%**
Discount rate (nominal) on December 31	5.1	5.7
Future salary growth (nominal)	4.2	4.2

The assumptions pertaining to the future mortality rate are based on published statistical data and on accepted mortality tables. A change in assumptions regarding the mortality rate on the basis of the accepted mortality tables has an impact on the calculation of the liability in respect of the defined benefit plan. As a result, a decrease of 10% in the average mortality rate will cause an increase of $ 0.1 million in the liability in respect of the defined benefit plans as of December 31, 2025.

Note 19 - Employee Benefits (cont.)

C. Post-employment benefit plans – defined benefit plan (cont.)

(3) Sensitivity analysis

Changes in the discount rate and in the rate of future increases in salary, which the Company believes are reasonably possible at the end of the reporting period to one of the actuarial assumptions, assuming that the rest of the assumptions remain unchanged, would have affected the liability in respect of the defined benefit, as follows:

	Year Ended December 31,			
$ millions	2025		2024	
	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%
Discount rate	(2)	2	(1)	2
Future salary growth	1	(1)	1	(1)

(4) Impact of the plan on the Company's future cash flows

The estimate of the Company regarding the life span of the plan (based on weighted average) as at the end of the reporting period is 10 years (2024 – 9 years).

D. Post-employment benefit plan – defined contribution plan

The Company has a defined contribution plan in respect of the liability of the Company to make payments in respect of part of the salaries of its employees who are subject to Article 14 of the Severance Pay Law – 1963.

	Year Ended December 31,		
$ millions	2025	2024	2023
The amount recognized as an expense in respect of a defined contribution plan	2	2	2

Note 20 - Loans, Current Maturities and Short-Term Credit

A. Composition

$ millions	December 31, 2025	December 31, 2024
Current maturities of long-term loans (B)	4	4
Current maturities of debentures (see Note 21)	32	22
	36	26

B. Long-term loans (presented as part of non-current liabilities)

$ millions	December 31, 2025	December 31, 2024
Long-term loans from banks	30	30
Less current maturities	(4)	(4)
	26	26

On December 31, 2024, the Company entered into loan agreements with two banking corporations for a total of 110 million NIS (approximately $30 million) for 8 years. The loans are not linked and will be repaid in 16 equal principal payments, starting on June 30, 2025. The loans bear interest of Prime rate + 1.1% on the unpaid balance, which will be paid in 16 semi-annual payments starting on June 30, 2025.

As at December 31, 2025, the unpaid balance of the long-term loans is NIS 96 million ($ 30 million).

C. Short-term credit

On December 28, 2022, the Company entered in agreements with banking entities (hereinafter – "the financers") for credit facilities. According to the agreements, the financers provided the Company credit facilities in the total amount of NIS 2.25 billion, available in the form of short-term credit (on call or overdraft) in NIS and foreign currency, guarantees, documentary credit, futures transactions and derivatives. On December 28, 2023 the credit facility agreements were extended for an additional year at an amount of NIS 2.5 billion. On December 26, 2024, the credit facility agreements were renewed for an additional year at an amount of NIS 1.785 billion. On December 29 and 30, 2025, the credit facility agreements were renewed for an additional year at an amount of NIS 1.925 billion ($ 603 million) for a period of one year.

Furthermore, in December 2022 it was agreed to provide an additional committed credit facility for factoring transactions by means of a syndicate composed of the financers. In December 2024, the Company also entered into a framework agreement with another banking entity, for factoring transactions. The framework amounts are revolving, so that the amount paid by the customer returns to the framework amount. The rights acquired by the factors will be assigned completely, irreversibly, and unconditionally. Each factor may at its own discretion sell and/or assign its rights and/or obligations pursuant to the agreement, by any means, to a list of potential factors specified in the agreement and/or to any other party approved by the Company. In December 2025 the framework factoring agreements were renewed for an additional year at the amount of NIS 495 million ($155 million).

As at December 31, 2025 customer debts in the amount of $ 124 million have been derecognized in accordance with IFRS 9.

The borrowing cost in respect of the amount that is expected to be utilized from the credit and factoring facilities is the Prime interest rate plus a margin within an effective range of 0.4% to 0.7% per year for short-term NIS-denominated credit, and the SOFR interest rate plus a margin within an effective range of 2.0% to 2.8% per year for short-term foreign currency denominated credit.

Note 20 - Loans, Current Maturities and Short-Term Credit (cont.)

D. Financial covenants

In order to receive the bank credit, the Company undertook to comply with financial covenants. Presented hereunder are the financial covenants that apply to the Company and its compliance with them as at December 31, 2025:

$ millions	Required	Ratio / sum	In practice
Equity (1)	≥	232	477
The ratio between equity and total balance sheet (2)	≥	20%	34%
Adjusted EBITDA (3)	≥	58	166
Net financial debt to adjusted EBITDA ratio (4)	≤	4.8	0.3
Cash balance (5)	≥	29	289
Ratio of short-term credit to trade receivables and inventory (6)	≤	80%	0%

As at December 31, 2025, the Company is in compliance with the financial covenants.

(1) The Company's equity as reported in the financial statements.

(2) The ratio between shareholders' equity and total balance sheet at the reporting date.

(3) Adjusted EBITDA is the overall amount of the Company's net profit, excluding impairment and increase in value, depreciation expenses, financing expenses and income and tax expenses, and less adjustments in respect of temporary differences in respect of hedging transactions, inventory, foreign currency and refinery margin hedges and effects of changes in the price of crude oil in respect of unhedged inventory, in accordance with that reported in the Company's directors report. In addition, adjusted EBITDA excludes any loss arising from the sale of inventory of substandard raw material, as described in Note 1.C.1, as well as any related insurance proceeds. A reimbursement asset from the supplier was also excluded.

(4) Net financial debt is all the debts and liabilities of the Company to financial institutions, debentures and loans from related parties or others, other than bank guarantees, documentary credit and exposure due to financial derivatives in hedging transactions, less financial assets. To this will be added a factoring balance in excess of US$ 100 million and lease liabilities in accordance with IFRS 16 which will be considered a financial debt.

(5) The balance of cash, including deposits, that will be held with the financers or an unutilized amount of a credit facility.

(6) Short-term credit is the various types of credit provided to the Company that their final repayment date is no later than 12 months from the date they were provided, other than interest-bearing supplier credit, documentary credit, bank guarantees and exposure due to financial derivatives.

Note 21 - Debentures

A. On January 26, 2023, the Company issued debentures (Series 2) to institutional investors. The par value was NIS 580 million on the date of issuance. The exchange rate of the dollar was NIS 3.37 on the date of issuance. The debentures bear annual interest of 7.5% that is payable in semiannual payments as from October 2023. The principal of the debentures will be paid in 5 equal annual payments in the amount of 10% of the principal for each payment on April 30 of each of the years 2024 through 2028, and an additional payment of 50% of the principal in 2029. According to the trust deed of the debentures, on September 14, after the spin-off was completed, the debentures were listed for trade, and the interest rate was lowered by 0.25%. On December 27, 2023 an expansion of the debentures (Series 2) by a par value of NIS 220 million was completed. The exchange rate of the dollar was NIS 3.628 on the date of issuance. As at the date of the statement of financial position, the balance of outstanding debentures (Series 2) is NIS 640 million.

On November 18, 2025, the rating of the Company's debentures (Series 2) was downgraded from A3.il (negative outlook) to Baa1.il (stable outlook). Following the downgrade, in accordance with the provisions of the trust deed for the debentures (Series 2), the annual interest rate applicable to the outstanding principal balances of the debentures (Series 2) increased by 0.25%, so that the annual interest rate will be 7.5% as from May 1, 2026.

B. On December 25, 2024, the Company issued debentures (Series 3). The par value was NIS 190 million on the date of issuance. The exchange rate of the dollar was NIS 3.663 on the date of issuance. The debentures bear annual interest of 5.81% that is payable in semiannual payments as from June 30, 2025. The principal of the debentures will be paid in 8 equal annual payments in the amount of 11.11% of the principal for each payment on June 30 of each of the years 2026 through 2033, and an additional payment of 11.12% of the principal on June 30, 2034.

On November 18, 2025, the rating of the Company's debentures (Series 3) was downgraded from A3.il (negative outlook) to Baa1.il (stable outlook). Following the downgrade, in accordance with the provisions of the trust deed for the debentures (Series 3), the annual interest rate applicable to the outstanding principal balances of the debentures (Series 3) increased by 0.25%, so that the annual interest rate will be 6.06% as from January 1, 2026.

C. Composition as at December 31:

$ millions	2025	2024
Long-term debentures	262	252
Transaction costs	(2)	(2)
Balance as at December 31 *	260	250
* Of which current maturities	32	22

As of December 31, 2025, the rating of the debentures is Baa1.il with a stable outlook.

Note 21 - Debentures (cont.)

D. Financial covenants:

The Company has committed to comply with financial covenants until the settlement date of the debentures. Failure to comply with one or more of the financial covenants is grounds for immediate repayment of the debentures.

Presented hereunder are the financial covenants that apply to the Company and its compliance with them as at December 31, 2025:

$ millions	Required	Ratio / sum	In practice
Equity (1)	≥	200	477
Ratio between equity and total balance sheet (2)	≥	17.5%	34%
Net financial debt to adjusted EBITDA ratio (3)	≤	5.5	0.0
Cash balance (4)	≥	29	289

As of December 31, 2025, the Company is in compliance with the financial covenants of the debentures.

(1) The Company's adjusted equity (equity minus the provision for impairment that was recognized up to the amount of $ 100 million for two consecutive quarters from the quarter in which it was first recognized) will not be less than a total of $ 200 million for two consecutive quarters.

(2) The ratio between the Company's adjusted equity and total balance sheet shall not be less than 17.5% for two consecutive quarters.

(3) The net financial debt divided by the adjusted EBITDA shall not exceed 5.5 for two consecutive quarters.

(4) The balance of cash, including deposits, or an unutilized amount of a credit facility.

Note 22 - Trade Payables

	December 31,	
$ millions	2025	2024
In respect of oil products	483	525
Other	36	27
	519	552

For additional information pertaining to trade payables who are related or interested parties, see Note 27 – Related and Interested Parties.

For information pertaining to the exposure of the Company to currency and liquidity risks in respect of trade payables, see Note 25 – Financial Instruments.

The average interest rate for the suppliers’ credit in the reporting period – SOFR + about 2%.

As at December 31, 2025 the balance of interest-bearing suppliers was $ 337 million (in 2024 – $ 356 million).

Note 23 - Other Payables

$ millions	December 31, 2025	2024
Employees and institutions in respect of salaries	4	4
Provision for vacation, convalescence, and provident	8	6
Deposits and advances from other customers	24	4
Government institutions	6	-
Accrued interest on debentures	2	2
Accrued interest on loans	*	*
Provision for claims and environmental quality (1)	7	2
	51	18

* Less than $ 1 million.

(1) Provisions:

A. **Environmental quality**: The Company provided in its books for expected operating expenses pertaining to environmental quality, in connection with the treatment of air and ground quality, treatment of sludge, vacating hazardous waste, carrying out surveys, etc. The amount estimated by the Company is based on the assessments of Management and Company experts. In the opinion of the Company, the provision fairly reflects the expected expenses in the area of environmental quality, as known to the Company as of the reporting date.

B. **Legal claims**: Legal claims are filed against the Company in the ordinary course of business. In the opinion of the Company's management, which is based on, inter alia, legal opinions regarding the chances of the claims, as of the reporting date, the Company has recorded a provision in the amount of $ 5 million for legal claims. See also Note 26.

Note 24 - Leases

The Company has lease agreements with respect to storage tanks and vehicles.

A. Information regarding material lease agreements

1. The Company leases 2 storage tanks from EAPC having a capacity of 96,000 cubic meters each. The contractual period of the aforesaid lease agreements ended in December 2024 with the Company having two options to extend the lease agreements for an additional period of three years each. In 2024 the Company notified EAPC that it wishes to exercise the first option period. The lease payments in the option period are comprised of a fixed annual amount and are linked to the Consumer Price Index. Accordingly, the Company recognized in the statement of financial position a lease liability in the amount of $ 11 million which is measured at the present value of the lease payments, and on the other hand a right-of-use asset in the same amount. A lease liability in the amount of $ 9 million and right-of-use asset in the amount of $ 6 million have been recognized in the statement of financial position as at December 31, 2025. For more information on this agreement, see Note 26.B.4.
2. The Company also leases 4 storage tanks from EAPC for periods of five to ten years. The contractual period of the aforesaid lease agreements ends on December 31, 2028. A lease liability in the amount of $12 million and right-of-use asset in the amount of $ 10 million have been recognized in the statement of financial position as at December 31, 2025. For more information on this agreement, see Note 26.B.4.

Note 24 - Leases (cont.)

B. Right-of-use assets

$ millions	**Storage tanks**	**Vehicles**	**Total**
Balance as of January 1, 2024	17	1	18
Additions	11	*	11
Disposals	-	*	*
Linkage differences	*	*	*
Depreciation on right-of-use assets	(6)	*	(6)
Balance as of December 31, 2024	22	1	23
Additions	-	1	1
Disposals	-	*	*
Linkage differences	*	*	*
Depreciation on right-of-use assets	(6)	(1)	(7)
Balance as of December 31, 2025	16	1	17

* Less than $ 1 million.

C. Lease liability

Maturity analysis of the Company's lease liabilities

	December 31,	
$ millions	**2025**	**2024**
Less than one year - Current maturities of lease liability	9	9
One to five years	13	19
Total	22	28
Total long-term lease liabilities	13	19

D. Amounts recognized in profit or loss

	Year Ended December 31,		
$ millions	**2025**	**2024**	**2023**
Interest expenses on lease liability	1	1	1
Depreciation expenses on right-of-use assets	7	6	6
Foreign exchange differences on leases	1	*	2
Total	9	7	9

Note 25 - Financial Instruments

A. General

The Company is exposed to the following risks that derive from use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information regarding the exposure of the Company to each of the aforementioned risks and the Company's objectives, policies and processes for measuring and managing risk. Additional quantitative disclosure is provided throughout these financial statements.

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and the Company is responsible for its implementation.

The Company manages its risks according to the Company’s risk management policies and procedures in various areas. The various policies and procedures are established in order to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the board of directors oversees how management monitors compliance with the Company’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by the Company’s internal auditing, which performs a risk survey once every period and on its basis prepares an internal audit work plan. Internal auditing undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

C. Credit risks

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from customer and other debts.

Transactions are executed with customers, regarding which a credit policy is set whereby each customer is analyzed individually for creditworthiness. The scope and type of collateral are set for each customer, as well as a purchase limit, reflecting the maximum open amount. These limits are reassessed quarterly. Customers who do not comply with the criteria set by the Company regarding the quality of their credit are permitted to make purchases from the Company only on the basis of payment in advance.

The Company executes factoring transactions from time to time that lower the exposure to credit risk of customers. See also Note 20.

Some of the export transactions are secured by letters of credit or by offsetting transactions.

Note 25 - Financial Instruments (cont.)

C. Credit risk (cont.)

(1) Exposure to credit risk

The carrying amount of the financial assets represents the credit risk, ignoring the value of collateral in respect of these balances.

The maximum exposure to credit risk in respect of trade and other receivables, loans and other investments as of the reporting date, broken down by counterparty, is as follows:

	Book value as of December 31,	
$ millions	**2025**	**2024**
Financial institutions	289	257
Trade and other receivables	218	147
Total	507	404

(2) Aging of debts and provision for impairment

Company Management monitors the Company's customer debts on a regular basis. The Company's customers pay regularly according to the payment terms, and collateral was received from some of them. Therefore, based on prior experience, no provision was made for expected credit losses. As of the date of the statement of financial position, the Company has no debts in arrears.

D. Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in meeting the obligations associated with its financial liabilities which are settled by delivery of cash or another financial asset. The approach of the Company regarding management of its liquidity risks is to ensure, to the extent possible, a level of liquidity that is adequate to meet its liabilities on time, under both normal and stressed conditions, without it experiencing undesirable losses.

As at the date of the statement of financial position the Company has credit and factoring frameworks in the amount of NIS 2.4 billion (about $ 759 million) as mentioned in Note 20 above. From these frameworks, $ 245 million had been used as of December 31, 2025.

Note 25 - Financial Instruments (cont.)

D. Liquidity risk (cont.)

The following table presents the contractual maturities of the financial liabilities, including an estimate of the interest payments. This disclosure does not include amounts in respect of which there are offset agreements:

	December 31, 2025						
$ millions	**Carrying amount**	**Contract-ual cash flows**	**Up to one year**	**Second year**	**Third year**	**Fourth year**	**Fifth year and thereafter**
Non-derivative financial liabilities							
Debentures including current maturities	260	318	49	47	45	39	138
Long-term loans including current maturities	30	38	6	6	6	5	15
Trade payables	519	519	519	-	-	-	-
Other payables	27	27	27	-	-	-	-
Lease liabilities	22	22	9	9	4	*	-
Other long-term balances	18	18	2	2	2	2	**
Financial liabilities - derivative instruments							
Inventory futures contracts and share options	3	3	3	-	-	-	-
Total	879	945	615	64	57	46	** 153

	December 31, 2024						
$ millions	**Carrying amount**	**Contract-ual cash flows**	**Up to one year**	**Second year**	**Third year**	**Fourth year**	**Fifth year and thereafter**
Non-derivative financial liabilities							
Debentures including current maturities	250	313	44	43	40	38	148
Long-term loans including current maturities	30	39	6	6	5	5	17
Trade payables	552	552	552	-	-	-	-
Other payables	14	14	14	-	-	-	-
Lease liabilities	28	28	8	8	8	4	-
Other long-term balances	15	15	1	1	1	1	**
Financial liabilities - derivative instruments							
Inventory futures contracts and share options	3	3	3	-	-	-	-
Total	892	964	628	58	54	48	** 165

** An open-ended annual liability of $ 1 million.

Note 25 - Financial Instruments (cont.)

E. Market risks

(1) General

Market risk is the risk that changes in the prices of crude oil and its products, and changes in market prices, such as exchange rates, the Consumer Price Index, interest rates and the prices of equity instruments will affect the revenues of the Company or the value of its holdings in financial instruments.

The goal of market risk management is to manage and supervise the exposure to market risks within acceptable parameters, while maximizing profits.

The activity of the Company in the areas of purchasing and refining crude oil and selling distillates in the local and international markets requires Management to take market risks deriving from changes in prices of crude oil and distillates, from changes in the exchange rate and from changes in rates of interest and inflation.

The Company's risk management policy is designed to act as a tool to assist Management in achieving the Company's business objectives, by assessing the possible results of the risk and limiting it in accordance with criteria set by the Company's board of directors and implemented by the Company. These criteria are based on assessing the risk, and taking into consideration forecasts regarding developments in prices, exchange rates and rates of inflation and interest.

(2) Commodity price and refining margin risks

In order to reduce the exposure to these risks, the Company makes use of financial instruments, including derivative financial instruments (hereinafter – "derivatives"). Hedging transactions are carried out through banking institutions and international companies, taking into account their financial strength, and, therefore, the Company believes that it has no significant credit risks in respect thereof. The Company executes transactions in derivatives on crude oil, and from time to time hedging transactions on the refining margin, which are traded on international exchanges and for which the Company furnishes margins as is the accepted practice in those markets. According to the Company's policy, the unhedged inventory shall not exceed 250 thousand tons and no more than $300 million.

As of the date of the statement of financial position, the Company has unhedged inventory of 165 thousand tons.

Pursuant to IFRS, in order for a transaction in financial instruments to be recognized as an accounting hedging transaction, it has to fulfill certain conditions, including conditions dealing with the designation of the instrument, compliance with strict documentation requirements, and high hedging effectiveness at the beginning of and during the course of the entire hedge. Changes in the fair value of derivative financial instruments that do not fulfill the conditions required for hedge accounting are immediately carried to profit or loss in each period, however, the results of the hedged instrument are carried to profit or loss only upon realization. The transactions in financial instruments that were conducted by the Company in the reporting period for the purpose of reducing the exposure resulting from the holding of crude oil and its distillates do not comply with the hedge conditions set out in international standards, notwithstanding the fact that their economic goal is such. Therefore, according to IFRS, the changes in fair value of those financial instruments are carried immediately to profit or loss.

In the reporting period, the Company entered into partial hedging transactions on distillate margins for 2026, and increased the amount of such transactions during the first quarter of 2026, subsequent to the reporting period, in light of a significant strengthening in distillate margins, primarily of diesel and jet fuel. The principal hedging transactions undertaken for 2026 relate to diesel margins, and at the date of approval of the financial statements they amounted to approximately 20% of estimated total annual production of diesel and jet fuel, and approximately 12% of estimated total annual production.

Note 25 - Financial Instruments (cont.)

E. Market risks (cont.)

(3) Index and foreign currency risks

Most of the Company's activity is in the fuel market and, therefore, a significant part of its current assets and liabilities are impacted by the exchange rate of the dollar. The Company has a hedging policy with respect to its dollar assets and liabilities and it maintains a currency balance. As from the spin-off date, the Company's financial currency and presentation currency is the dollar.

The Company does not hedge shekel risk exposures and as a result is exposed to changes in the exchange rate.

Risk management relating to currency exposure is under the supervision of the board of directors and is implemented by management.

(3.1) Exposure to index and foreign currency risks

The exposure of the Company to index and foreign currency risks is as follows:

	As of December 31, 2025			
	NIS		Dollar	
	Unlinked	Linked to the CPI		Total
Current assets:				
Cash and cash equivalents	272	-	17	289
Trade receivables	73	-	43	116
Other receivables	1	-	88	89
Derivative instruments	-	-	4	4
Non-current assets:				
Deposit in trust	11	-	-	11
Long-term investments and loans	2	-	-	2
Current liabilities:				
Current maturities of debentures	(32)	-	-	(32)
Current maturities of loans	(4)	-	-	(4)
Trade payables	(34)	-	(485)	(519)
Other payables	(21)	-	*	(21)
Derivative instruments	(2)	-	(1)	(3)
Current maturities of lease liabilities	-	(5)	(4)	(9)
Non-current liabilities:				
Debentures	(228)	-	-	(228)
Bank loans	(26)	-	-	(26)
Liability for authorization fees	-	(18)	-	(18)
Long-term lease liabilities	-	(5)	(8)	(13)
Assets net of liabilities	12	(28)	(346)	(362)

* Less than $ 1 million.

Note 25 - Financial Instruments (cont.)

E. Market risks (cont.)

(3) Index and foreign currency risks (cont.)

(3.1) Exposure to index and foreign currency risks (cont.)

The following is a breakdown of the exposure of the Company to index and foreign currency risk in respect of the derivative financial instruments of the Company as at December 31, 2025:

	Currency receivable	Currency payable	Expiration date	Amounts receivable/ payable	Fair value
				$ millions	
Futures contracts:					
Current liabilities					
Forward foreign currency contracts	Dollar	NIS	01.2026	1	1
Oil derivatives:					
Current assets:				4	4
Current liabilities:				*	*

* Less than $ 1 million.

For information pertaining to the CPI and significant foreign currency exchange rates, see Note 3.A.2.

	As of December 31, 2024			
	NIS		Dollar	
	Unlinked	Linked to the CPI		Total
Current assets:				
Cash and cash equivalents	257	-	*	257
Trade receivables	52	-	82	134
Other receivables	*	-	11	11
Derivative instruments	-	-	3	3
Non-current assets:				
Deposit in trust	9	-	-	9
Long-term investments and loans	2	-	-	2
Current liabilities:				
Current maturities of debentures	(22)	-	-	(22)
Current maturities of loans	(4)	-	-	(4)
Trade payables	(21)	-	(531)	(552)
Other payables	(13)	-	*	(13)
Derivative instruments	(2)	-	(1)	(3)
Current maturities of lease liabilities	-	(5)	(4)	(9)
Non-current liabilities:				
Debentures	(228)	-	-	(228)
Bank loans	(26)	-	-	(26)
Liability for authorization fees	-	(15)	-	(15)
Long-term lease liabilities	-	(8)	(11)	(19)
Assets net of liabilities	(4)	(28)	(451)	(475)

* Less than $ 1 million.

Note 25 - Financial Instruments (cont.)

E. Market risks (cont.)

(3) Index and foreign currency risks (cont.)

(3.1) Exposure to index and foreign currency risks (cont.)

The following is a breakdown of the exposure of the Company to index and foreign currency risk in respect of the derivative financial instruments of the Company as at December 31, 2024:

	Currency receivable	Currency payable	Expiration date	Amounts receivable/ payable	Fair value
				$ millions	
Futures contracts:					
Current liabilities					
Forward foreign currency contracts	Dollar	NIS	01.2025	*	*
Oil derivatives:					
Current assets:				3	3
Current liabilities:				1	1

* Less than $ 1 million.

For information pertaining to the CPI and significant foreign currency exchange rates, see Note 3.A.2.

(3.2) Sensitivity analysis

A strengthening of the NIS against the dollar, as of December 31 and an increase in the Consumer Price Index would have increased (decreased) equity and profit or loss by the amounts set out below. This analysis is performed under the assumption that all of the other variables, especially the interest rates, remain constant.

	As of December 31, 2025	
$ millions	**Equity**	**Profit (loss)**
Increase of 1% in the Consumer Price Index	(*)	(*)
Increase of 5% in the exchange rate of the NIS	(*)	(*)

* Less than $ 1 million.

	As of December 31, 2024	
$ millions	**Equity**	**Profit (loss)**
Increase of 1% in the Consumer Price Index	(*)	(*)
Increase of 5% in the exchange rate of the NIS	(*)	(*)

* Less than $ 1 million.

A weakening of the NIS and a decrease in the Consumer Price Index by similar rates as of December 31 would have had an identical impact, albeit in the opposite direction, and by the same amounts, assuming that all of the rest of the variables remain the same.

Note 25 - Financial Instruments (cont.)

E. Market risks (cont.)

(4) Interest rate risk

The Company has liabilities bearing variable shekel and dollar interest. Therefore, material changes in interest rates may have an impact on the Company's results of operations.

(4.1) Type of interest

The following table presents information pertaining to the type of interest of the interest-bearing financial instruments of the Company:

$ millions	As of December 31, 2025	As of December 31, 2024
	Carrying amount	
Instruments bearing fixed interest		
Financial liabilities	260	250
Instruments bearing variable interest		
Financial assets	316	279
Financial liabilities	378	393

(4.2) Analysis of the sensitivity of fair value in respect of instruments bearing fixed interest

Assets and liabilities at fixed interest are not measured at fair value through profit and loss. In addition, the Company does not designate derivatives as hedging instruments in accordance with a fair value hedge accounting model. Therefore, changes in interest rates as of the reporting date would not affect profit and loss or shareholders' equity in respect of changes in the value of assets and liabilities at fixed interest.

(4.3) Analysis of the sensitivity of cash flows in respect of instruments bearing variable interest

A change of 1% in interest rates at the reporting date would have increased or decreased shareholders' equity and profit or loss by the amounts set out below (after tax). This analysis is performed under the assumption that all of the other variables, especially foreign currency exchange rates, remain constant.

$ millions	As of December 31, 2025			
	After tax profit (loss)		Shareholders' equity	
	Increase in interest	Decrease in interest	Increase in interest	Decrease in interest
Sensitivity of cash flows (net) in respect of instruments at variable interest	(*)	*	(*)	*

$ millions	As of December 31, 2024			
	After tax profit (loss)		Shareholders' equity	
	Increase in interest	Decrease in interest	Increase in interest	Decrease in interest
Sensitivity of cash flows (net) in respect of instruments at variable interest	(1)	1	(1)	1

* Less than $ 1 million.

Note 25 - Financial Instruments (cont.)

F. Fair value

(1) Fair value versus carrying amount

The carrying amount of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, other long-term receivables, deposit in trust, derivatives, trade payables, other payables, long-term loans and lease liabilities is equal to or approximates their fair value.

Presentation of the derivative instruments at fair value does not reflect the full cash flow impact on the inventory since on the other hand there is a profit or loss in respect of the physical asset.

The fair values of the other financial assets and the carrying amounts shown in the statement of financial position, are as follows:

$ millions	December 31, 2025		
	Adjusted balance of par value	Carrying amount*	Fair value Level 1**
Series 2 debentures	201	201	211
Series 3 debentures	59	59	61

$ millions	December 31, 2024		
	Adjusted balance of par value	Carrying amount*	Fair value Level 1**
Series 2 debentures	197	198	210
Series 3 debentures	52	52	52

* The carrying amount of the debentures is presented at amortized cost (net of raising costs and plus a premium).

** The fair value of the debentures is based on the quoted price on the stock exchange at the reporting date.

Note 25 - Financial Instruments (cont.)

F. Fair value (cont.)

(2) The fair value hierarchy of financial instruments measured at fair value

The following table presents an analysis of the financial instruments measured at fair value, using a valuation method.

The various levels were defined as follows:

- Level 1: Quoted prices (unadjusted) in an active market for identical instruments.
- Level 2: Observable (directly or indirectly) data, not included in level 1.
- Level 3: Data not based on observable market data.

	As of December 31, 2025			
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets – derivative instruments	2	2	-	4
Financial liabilities – derivative instruments	*	1	2	3

	As of December 31, 2024			
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets – derivative instruments	2	1	-	3
Financial liabilities – derivative instruments	1	-	2	3

* Less than $ 1 million.

Valuation techniques for determination of fair value:

The fair value of forward transactions is the difference between the opening price of the contract and the price on the date of the valuation, discounted to the cutoff date.

In short-term transactions, as executed as at the reporting date, there is no reference to the Company's credit risk or to the risk of the counterparty, since the adjustment is immaterial to the results of the valuation.

The fair value is estimated on the basis of discounting the difference between the price of the forward denominated in the contract and the price of the current forward in respect of the rest of the contract period until redemption, using market interest rates appropriate to similar instruments.

Note 26 - Contingent Liabilities and Commitments

A. Contingent liabilities

Commercial and other claims have been filed against the Company in the ordinary course of business. Presented hereunder are details regarding the main claims:

1. Environmental quality

1.1 Clean Air Law

The Ministry of Environmental Protection (hereinafter in this section: "**the Ministry**") applies certain provisions of the Clean Air Law, 2008 (hereinafter in this section: "**the Law**") to the industry in general and to the Company in particular.

As part of its operations, the Company acts on an ongoing basis to comply with the provisions of the Law and with the permits granted thereunder. As at the date of issuance of the financial statements, the Company is generally in compliance with the provisions of the Law, the applicable permits and other instructions of the Ministry, other than exceptions as detailed below and deviations in respect of which the Company is working with the Ministry to adjust the requirements and/or update implementation timetables. The Company has received various warnings and summonses to hearings from the Ministry in respect of alleged violations of the provisions of the Law, as well as the Business Licensing Law, 1968, the aforementioned permits and the aforementioned instructions of the Ministry. The Company submits its responses to the Ministry with respect to each warning and/or summons to a hearing that is received, as applicable. Sometimes the Company even initiates legal proceedings against the Ministry after then. At this stage, the Company is unable to assess whether a monetary sanction will be imposed on it, or the amount thereof, in any case in which the Ministry has not expressly notified the Company that it is required to pay a monetary sanction or to take any other action.

1.1.1 In June 2022 the Company renewed its emission permit for a period of seven years pursuant to the Clean Air Law. In the opinion of the Company, the new emission permit does not include new instructions that will require it to make significant capital investments.

1.1.2 In December 2022 the Company received a warning and summons to a hearing from the Ministry of Environmental Protection with respect to an alleged violation of the provisions of the emission permit. According to the Ministry, surprise tests were performed in which supposed deviations were found in the emission values, deviations from the emission values were found in the continuous monitoring at the plant's stack, and black vapor from the flare was seen for more than the permitted time. The Company presented its arguments in a hearing that was held on January 15, 2023. According to the summary of the hearing, the Ministry is considering taking the measures at its disposal, including recommending imposing a monetary sanction.

On September 22, 2024, the Company received notice of the imposition of a financial sanction in the amount of approximately NIS 7.12 million (approximately $2 million) for violating the terms of the emission permit (Section 17(a) of the Clean Air Law). The sanction was fully paid in 2024.

Note 26 - Contingent Liabilities and Commitments (cont.)

A. Contingent liabilities (cont.)

1. Environmental quality (cont.)

1.1 Clean Air Law (cont.)

1.1.3 In August 2023 the Company received from the Ministry of Environmental Protection a summons to a hearing, before the issuing of an administrative order pursuant to Section 45 of the Law, in respect of alleged deviations from the emission values permitted in the emission permit, which were measured in the continuous monitoring at the plant's stack, and in respect of deviations in the value of Benzene that was measured at the monitoring stations operated by the Company. The hearing was held on September 13, 2023 and in it the Company raised its arguments and denied the allegations of the Ministry of Environmental Protection. On November 9, 2023, the Company received a document summarizing the hearing that indicates that the parties had agreed to hold a professional discussion regarding the actions that can be taken for reducing Benzene concentrations. It also stated that a decision regarding the alleged deviations would be made after completing the examination of the Company's arguments.

Further to the summary of the hearing that was received on November 9, 2023, on August 7, 2024 the Company received an administrative order pursuant to Section 45 of the Clean Air Law – 2008, of the Ministry of Environmental Protection, following its allegation of deviations from the permitted environmental values. In the order, the Ministry orders the Company to act to reduce or prevent continuation of the air pollution that was caused or may be caused by the Company and to act to execute the actions indicated in the order. It is noted that most of the actions indicated in the order are already being executed or are in the process of being executed in the framework of the joint task team of the Company and the Ministry that was established after the hearing. In the opinion of the Company, the effect of the administrative order and its instructions on the Company is immaterial.

1.1.4 In October 2025, an update to the Company's emission permit (originally issued in June 2022) was published, reflecting a tightening of the Ministry of Environmental Protection's requirements compared to the existing permit, and requiring capital investments that are not material to the Company.

1.1.5 On April 7, 2025, the Company received a warning and summons to a hearing from the Ministry of Environmental Protection (hereinafter: "the Ministry") with respect to an alleged violation of the Company's emission permit, contrary to the provisions of the Law. Most of the alleged violations relate to deviations in emission values that were found in surprise tests the Ministry performed in the plant's stacks, deviation in the continuous monitoring at the stacks and emission of black vapor. In the hearing that was held on May 14, 2025 the Company presented its arguments against the allegations in the warning. On June 24, 2025, in the summary of the hearing that was received the Company was requested to submit additional material. The requested material was provided at the request of the Ministry.

On February 10, 2026, subsequent to the reporting date, the Company received a notice from the Ministry of its intention to impose a monetary sanction in the amount of NIS 32 million, in respect of an alleged violation of the terms of the emission permit for the years 2024-2025, including deviations from maximum permitted emission values of certain substances and emission of black vapor. The Company rejects the allegations raised by the Ministry and intends to submit its response to the Ministry by the deadline specified in the notice, within the framework of its right to be heard.

In the Company's assessment, based on the advice of its legal counsel, and at a probability level exceeding 50%, the Company will ultimately be required, upon completion of the proceedings, to pay half of the amount stated in the warning letter. Accordingly, the Company recorded an appropriate provision in its books as at December 31, 2025.

Note 26 - Contingent Liabilities and Commitments (cont.)

A. Contingent liabilities (cont.)

1. Environmental quality (cont.)

1.2 Water Regulations (Prevention of Water Pollution) (Fuel Lines) – 2006 (hereinafter in this item: "the Water Regulations")

The purpose of the Water Regulations is, inter alia, to regulate the handling of concerns from pollution that may have been caused to the environment and/or pollution that was caused following a leak from a fuel line that is off the premises of the plant. The Water Regulations state that in addition to checking that the fuel lines are intact, including by scouting the area, when there is concern of a leak also environmental assessments need to be made in order to understand the damage that may have been caused to the environment. The Water Regulations also prescribe how to treat polluted land when the pollution is caused by a leak in the line.

The Company has a small number of fuel lines (only eight lines of a few hundred meters long), and it acts according to the provisions of the Water Regulations and monitors leaks and makes patrols as required.

The Company acts on an ongoing basis to comply with the provisions of the Water Regulations. As at the date of issuance of the financial statements, the Company is generally in compliance with the provisions of the Water Regulations.

2. Claim against the State and counterclaim (authorization fees)

A disagreement arose between the Company and the State with respect to excess payment of authorization fees for certain years pursuant to an amendment to the authorization agreement, in view of the State's mistaken interpretation of the arrangement's instructions. In May 2019, the Company filed a claim against the State to return the excess amount that was paid. In November 2019, the State filed a defense brief and a counterclaim against the Company in respect of underpayments for the years 2016 and 2018 in the amount of NIS 3.6 million. After the Company amended the claim on November 29, 2020, the amended amount of the claim is NIS 6.76 million (as at December 13, 2020). Between December 2022 and March 2023, the parties submitted their evidence to the court. On October 23, 2023, at the agreement of the parties, CPA Regina Unger was appointed as an expert on behalf of the court. Following several meetings with the expert, on December 23, 2025 she requested additional documents and data, some of which are not in the Company’s possession. The Company responded to the expert’s request and provided the documents that were available to it.

In the assessment of the Company’s management, based on the advice of its legal counsel, in view of the early stage of the proceeding, it is not possible to assess the chances of the claim and counterclaim.

Note 26 - Contingent Liabilities and Commitments (cont.)

A. Contingent liabilities (cont.)

3. Class action against IEC

On October 23, 2019, a motion to certify a class action was filed against IEC alleging that it had refrained and still refrains from acting to prevent raising the electricity tariff for household consumers. The motion for certification alleges that IEC had failed to implement the standards established by the Electricity Authority (the regulator in charge of regulation of the electricity sector) in all that concerns deviations from consumption plans the electricity suppliers submit to IEC.

On March 15, 2020 IEC filed a motion to dismiss and on July 22, 2020 filed a response to the motion for certification. On November 25, 2020 IEC requested that Ashdod Refinery be added as a third party in addition to other private producers. On April 10, 2023 the court denied the motion of IEC to add third parties, including the Company. IEC filed an appeal on the court's ruling, in which it is requesting to revoke the ruling and permit it to file third party notices. A hearing on the appeal is scheduled for June 29, 2026.

In the assessment of the Company's management, based on the advice of its legal counsel, in view of the early stage of the appeal, it is not possible at this time to assess its chances.

4. IEC claim for monetary relief (loading ships at the marine buoy)

On September 9, 2025, IEC filed a claim for monetary relief in the amount of NIS 15 million against the Company alleging failure to supplement the "minimum floor" payment pursuant to the agreement, as well as for declaratory relief stating that the agreement signed between the parties on February 25, 2014 for the provision of mooring, unloading, and loading services for tankers at IEC's marine fuel buoys remains in force, that the Company committed a fundamental breach of the agreement, and therefore IEC is entitled to terminate it. On December 3, 2025, the Company submitted its statement of defense, denying IEC's claims and arguing, inter alia, that there had been a change in circumstances justifying a modification of the "minimum floor" mechanism, that the agreement has not been in force since February 2024, and that there is no basis for IEC's payment demand. IEC submitted its reply on December 24, 2025, reiterating its position. A pretrial hearing on this matter was scheduled for April 2026, and the Company filed a motion requesting its postponement.
On February 3, 2026, subsequent to the reporting date, IEC submitted an additional payment demand in the amount of approximately NIS 7 million, plus VAT, to supplement the payment under the "minimum floor" mechanism for 2025. In the demand, IEC warned that if the amount (after deduction of an immaterial amount set off by IEC) is not paid by the deadline it specified, it will file a claim in this matter. On February 15, 2026, the Company rejected IEC's claims.

Based on the advice of its legal counsel, the Company believes that, at this stage, it is too early to assess its potential exposure in the claim.

Note 26 - Contingent Liabilities and Commitments (cont.)

A. Contingent liabilities (cont.)

5. Indictments

5.1 Indictment against the Company, the Company's former CEO and an additional employee

In January 2020 a quality event occurred in diesel fuel for transportation dispensed by the refinery in five gasoline stations, one of Paz and four of Dor Alon, in which deviations from the permitted level of sulfur in diesel fuel was discovered in samples of the Fuel Administration.

On January 9, 2022, after completing its investigation, the Ministry of Energy filed an indictment against the Company, the Company's former CEO and an additional employee. The charges in the indictment are transmitting diesel fuel that does not meet the required standard and the requirements of the law, to the dispenser tanks of the Company and selling it at various gasoline stations. The proceeding is in an early stage and an additional hearing is scheduled for May 2026.

In the opinion of management of the Company, based on the opinion of its legal counsel, at this stage it is not possible to assess whether the proceeding will have an effect on the Company and what the effects may be.

5.2 Indictment against the Company and the Company's former CEO

In May 2020 the Company received notice from the Fuel Administration by which in April and May 2020 the Company had issued winter-grade gasoline instead of special-grade gasoline (for transitional seasons) and in doing so supposedly issued gasoline that does not meet the requirements of the standards in a manner that constitutes violation of the Standards Law and the Operation of Vehicles (Engines and Fuel) Law. The Company replied to this notice that it had acted precisely according to the instructions of the standard and date extensions that were received by the Minister of Economy (at the request of the Fuel Administration) and therefore has not violated the law.

On January 9, 2022, after completing its investigation, the Ministry of Energy filed an indictment against the Company and the Company's former CEO. The charges in the indictment are issuing winter-grade gasoline (in which the vapor pressure level is higher) from the refinery in May 2020, even though according to the temporary order that applied at the time, the Company was not allowed to issue winter-grade gasoline from the refinery. The proceeding is in an early stage and an additional hearing is scheduled for May 2026.

In the opinion of management of the Company, based on the opinion of its legal counsel, at this stage it is not possible to assess whether the proceeding will have an effect on the Company and what the effects may be.

6. Israeli police investigation of work accident

On February 11, 2026, subsequent to the reporting date, a work accident occurred at the refinery’s laboratory, the circumstances of which have not yet been clarified. As a result of the accident, two of the Company’s employees lost their lives. The Company extends its deep condolences to the families and is supporting them during this difficult time. The accident is being investigated by the competent authorities, with the Company’s full cooperation. As part of the investigation, several Company employees, including two senior executives, were questioned under caution on suspicion of causing death by negligence.

As the investigation is at its initial stages, in the Company’s assessment, based on the advice of its legal counsel, it is not possible at this time to assess when or in what manner the investigation will be concluded, nor what implications the proceedings may have for the Company.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments

1. Agreements for the transfer of intermediate products

ORL and the Company entered into an agreement that enables the two companies to sell intermediate products to one another, at agreed-upon price formulas based on international prices. The Agreement was signed for a period of one year from March 9, 2006, and may be extended for additional one-year periods at the consent of both parties. Among other things, the Agreement sets forth mechanisms for sales, payment and the related logistics. The agreement in this format expired in September 2025, but as of the date of issuance of the financial statements, its expiration has not had a material effect on the Company's results. The parties are engaged in discussions regarding an extension of the agreement. Insofar as the agreement is not extended, it is not possible at this stage to assess the impact on the Company's results.

In December 2010, an agreement was signed between the Company and Carmel Olefins, a subsidiary of ORL, for the sale of 80-105 thousand tons of Propylene (Olefin components) a year, by the Company to Carmel Olefins, which existed from the date of the spin-off in 2006 and was updated when the projects constructed by the Company were completed in 2011 and 2012, for a period of 10 years until June 2022. ORL is presently the sole outlet. If the agreement is not renewed the Company will have to make a significant capital investment for finding an alternative outlet for Propylene. In August 2022 the parties signed a new agreement for 7 years with each party having the right to terminate the agreement at an advance notice of three years. Subsequent to the reporting date, Carmel Olefins requested a reexamination of the pricing formula under the agreement, which in the Company's view is not justified. From March 1, 2026 and through the date of approval of the financial statements, Carmel Olefins has not made any purchases of propylene from the Company, for reasons unknown to the Company. At this stage, the Company is unable to assess the duration of the aforementioned suspension of purchases and is acting to safeguard its rights. Insofar as the said suspension continues, it may have a material impact on the Company's results.

2. Authorization agreement

On July 27, 2006, an amendment to the agreement was signed between ORL and the State of Israel (hereinafter - the "Amendment") whereby ORL waives all of its rights and claims in connection with the assets it is to transfer to the Company, as part of the agreement for the transfer of assets and liabilities signed between them on March 9, 2006, and the State of Israel transferred to ORL the rights in these assets, such that in respect of each and every one of the assets, ORL will receive the right that it would have had in the asset, had the position of the State of Israel been different in the dispute described in the agreement. ORL also undertook not to make any change in the zoning or utilization of the assets covered by the Amendment, unless it receives the approval of the accountant general, the director general of the Ministry of National Infrastructures and the Director of the Israel Lands Administration. The Amendment includes an exit condition whereby the State of Israel has the right, in the event of a breach of the aforementioned commitment, to immediately repossess all of the property rights in respect of which the breach was made, leaving ORL without any rights to such property. In addition, the State has the right to receive liquidated damages of 6% per annum of the value of the property in respect of which the breach was made, commencing from the date of the breach and until actual payment is made.

Identical provisions regarding the change in zoning and utilization and the exit condition are included in the agreement between ORL and the Company, in connection with the transfer of the assets mentioned in the Amendment.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

2. Authorization agreement

As part of the authorization agreement that was assigned to the Company, the Company undertook to pay the State of Israel an annual fee, unlimited in time, at a fixed amount of US$750 thousand and additional annual amounts contingent on Ashdod Refinery's annual profit, as follows: 8% of the annual profit before tax and an annual payment in a profit range of $0-10 million, 10% of the annual profit before tax and an annual payment in a profit range of US$10-17.5 million, and 12% of the annual profit before tax and an annual payment in a profit range of US$17.5-22.5 million. In any event, the annual fee paid to the State (including the fixed component) shall not exceed $2.9 million. All of the amounts will be translated into NIS at an exchange rate of $1 = NIS 4.8 and will be adjusted for changes in the Israeli CPI (the base index is May 2002).

3. Agreement for the maintenance of power stations

In December 2019, a long-term maintenance agreement was signed between Ashdod Refinery and Siemens. The agreement is for 15 years and includes planned and unplanned maintenance services for the two power stations, including periodic maintenance of turbines, maintenance of primary equipment, handling malfunctions, replacing a motor as needed and a commitment to supply spare parts and consumables. According to the agreement the contractual consideration will be spread linearly over the period of the agreement and be paid in equal quarterly installments. The price is linked to a mix of indices as specified in the agreement. The Company has the right to terminate the agreement in two main events: the first is a breach on the part of Siemens relating to a delay in replacing a motor, and the second is any time at the request of the Company subject to providing an advance notice of 90 days. Termination of the agreement as aforesaid is subject to the payment of liquidated damages at the rates provided in the agreement.

4. Leases

In 2010 the Company paid Eilat-Ashkelon Pipeline Company Ltd. (“EAPC”) an amount of $ 20 million (NIS 76 million) in respect of the construction of two crude oil storage tanks with a capacity of 96,000 cubic meters each. The Company leases the crude oil storage tanks for a period of 14 years and it pays EAPC annual storage fees in the amount of NIS 2.8 million per year. The agreement has two additional option periods of 3 years each to extend the agreement. The storage fees in the option periods will be NIS 10.4 million per year (before linkage as set forth in the agreement). In 2024, the Company notified EAPC that it wishes to exercise the first option period.

In January 2012, the Company and EAPC entered into an agreement to lease additional storage tanks and receive infrastructure services for 7 years beginning from January 2012. This agreement was extended in November 2018 for an additional period of 10 years, in exchange for the lease payments and the payments for the infrastructure services that the parties agreed to in the agreement. According to the agreement the Company leases from EAPC tanks having a total capacity of 306 thousand cubic meters. Five years after the signing of the agreement (meaning December 31, 2023) the storage capacity will decrease to 249 thousand cubic meters and the lease payments will be adjusted accordingly. On April 1, 2021, the parties agreed to change the mix of the storage tanks, so that from that date the Company will lease storage tanks having a total capacity of 267 thousand cubic meters, instead of 306 thousand cubic meters.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

5. Framework agreement between Paz and the Company for the purchase of fuels

On June 23, 2023, Paz and the Company signed a framework agreement for the purchase and sale of diesel fuel, gasoline 95 octane, various types of fuel oil, kerosene, jet fuel, naphtha or other products manufactured by the Company. The agreement came into effect on the spin-off date and was in effect until December 31, 2025. The agreement specified annual and monthly quantities that Paz will purchase from the Company in each one of the years of the agreement. The agreement also prescribed price formulas of products, payment terms, credit terms and supply terms.

In December 2025, a new agreement was signed for the supply of gasoline 95 octane and jet fuel for 2026, which includes monthly and annual quantities that Paz is committed to purchase from the Company. The agreement also includes pricing formulas and other arrangements relating to issuance and storage. The contractual sales volume to Paz under the agreement is expected to account for approximately 30% of the overall forecasted sales of distillates by the Company, compared to approximately 48% in 2025.

6. Framework agreement between the Company and an additional large customer (major customer)

In June 2007, the Company and an additional large customer signed a framework agreement which established general engagement terms. According to the agreement, once a year the companies arrange the commercial terms of the engagement, which include the annual quantity, formulas of product prices, payment terms including prepayments, credit terms and supply terms. From time to time the parties sign addendums to the framework agreement which provide the terms for annual purchases of diesel fuel for transportation, gasoline 95 octane and jet fuel. The agreement for the supply of gasoline and diesel fuel was extended for 2026 at the same terms.

7. Agreements for sale of electricity

Electricity is sold to private customers in accordance with detailed agreements that include provisions that are customary in the sector. The price of electricity is determined for each customer as a discount percentage from the electricity production price published by the Electricity Authority and according to the consumption profile of the customer. The infrastructure fees paid by the customer are transferred by the Company to IEC. From time to time the Company renews agreements with existing customers and signs agreements with new customers according to the changing consumption of its customers and the validity of the various agreements. In addition, the Company signed several framework agreements with private electricity producers for interruptible purchases and sales of electricity surpluses.

8. Agreements for the supply of natural gas

8.1 Agreement with the Tamar Reservoir Partnership

On April 2, 2012, an agreement for the supply of natural gas was signed between the Company and the partners of the Tamar Project (hereinafter – the "Sellers" and the "Tamar Project', respectively), whereby the Company will purchase from the Sellers natural gas for the purpose of operating the existing facilities of the Company (hereinafter – the "Agreement"). Pursuant to the agreement, the Sellers will supply the Company with a quantity of up to 111,800,000 MMBTU of natural gas throughout the life of the agreement (the "total contractual quantity"). The supply period pursuant to the agreement is 15 years or until the Company consumes the total contractual quantity (hereinafter – the "supply period"), whichever earlier. The parties have the right to extend the supply period for an additional period of up to one year if, as at that date, the total contractual quantity has not been consumed.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

8. Agreements for the supply of natural gas (cont.)

8.1 Agreement with the Tamar Reservoir Partnership (cont.)

The supply period commenced during the second quarter of 2013. It is noted that during various periods within the supply period, different quantities of gas will be supplied. The agreement contains additional clauses that are common for agreements of this type, such as compensation mechanisms in the event of a shortfall in supply, a take or pay mechanism for a minimum annual quantity of natural gas at a volume and in accordance with the mechanism set out in the agreement, the quality of the gas, a warranty ceiling, arbitration mechanism, etc. In addition, the agreement contains arrangements for changes in regulations and/or additional taxes on the Sellers. The price of gas set out in the agreement was linked to the tariff for electricity production that is set from time to time by the Public Utilities Authority – Electricity (the Electricity Authority) and it contains a “floor price” and "ceiling price".

On December 28, 2015 the Antitrust Authority issued a decision that granted a conditional exemption for restrictive agreements between the partners in the Tamar gas reservoir and natural gas consumers (one of which is the Company) (hereinafter – the “Resolution of the Commissioner”). According to the Resolution of the Commissioner, realization of the right of the consumers (including the Company) to notify the partners of the Tamar project regarding a reduction in the quantity of natural gas indicated in the Take or Pay condition (up to a quantity equal to half of their annual average consumption in the three years that preceded the date of the notification) will be allowed during one of the following periods, whichever ends later: (a) the period from January 1, 2020 through December 31, 2022 (instead of the period from January 1, 2018 through December 31, 2020 as set out in the agreement), or (b) the period commencing at the beginning of the fifth year (instead of the fourth year as set out in the agreement) after beginning the supply of natural gas and concluding at the end of the seventh year from that date.

On May 26, 2020 the Company notified the Tamar Reservoir Partnership that it is exercising its right to reduce the quantities of natural gas pursuant to the Resolution of the Commissioner. The reduction came into effect on May 27, 2021. In accordance with the reduction mechanism, the daily, annual and contractual consumption quantities were updated. The Take or Pay mechanism continues to apply to the reduced quantity.

In September 2014, a SPOT agreement was signed between the Company and the Tamar Reservoir partnership, for the purchase of additional quantities of natural gas, to be supplied to the Company, at its request, by the Tamar partnership in the event that it has surplus quantities of natural gas. The agreement was signed for 90 days, and is automatically renewed for an additional 90 days, subject to the agreement of both parties. The agreement can be cancelled on 7 days' notice. The agreement does not include a commitment to supply and/or purchase any quantities. On December 22, 2024, Tamar Partnership exercised its right to terminate the agreement, and the contract ended on December 31, 2024.

In February 2021, another agreement for the supply of natural gas was signed between the Company and the Tamar Reservoir Partnership. The agreement is for interruptible supply until September 30, 2024, without a commitment of either party to a minimum quantity of natural gas. Throughout that period the Company will be able to purchase natural gas at a price lower than the price in the Tamar agreement. The agreement includes provisions that are similar to the existing natural gas agreements other than, as aforesaid, provisions regarding the purchase of a minimum quantity (Take or Pay) during the period of the agreement and the resultant mechanisms.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

8. Agreements for the supply of natural gas (cont.)

8.1 Agreement with the Tamar Reservoir Partnership (cont.)

In June 2025 a SPOT agreement was signed between the Company and the Tamar Reservoir partnership, for the purchase of additional quantities of natural gas, to be supplied to the Company, at its request, by the Tamar partnership in the event that it has surplus quantities of natural gas. The agreement does not include a commitment to supply and/or purchase any quantities. The agreement was signed for a finite period for as long as the state of emergency that was declared in Israel following Operation “Rising Lion” remains in effect. Even though the agreement was signed for a finite period for as long as the state of emergency that was declared in Israel following Operation “Rising Lion” remains in effect, in December 2025 the agreement was extended through December 2026.

8.2 Agreement with the Leviathan Reservoir Partnership

In November 2016, a natural gas supply agreement was signed between the Company and the partners in the Leviathan project (hereinafter – the “Sellers” and the “Leviathan Project” or the “Leviathan Reservoir”, respectively), whereby the Company would purchase from the Sellers natural gas for purposes of operating the plants of the Company (hereinafter – the “Agreement”). According to the Agreement, the Sellers undertook to supply the Company natural gas at a volume of 111,715,000 MMBTU over the duration of the agreement period (hereinafter – the “Total Contractual Quantity”), pursuant to the terms set out in the Agreement.

The agreement period commenced on the date of the signing of the agreement and is expected to end on the earlier of the date on which the Company will have completed consuming the Total Contractual Quantity or the end of the fifteenth year period following the date on which a commercial quantity of natural gas started to flow from the Leviathan Reservoir to the Company. The parties have the right to extend the agreement by a period of up to one more year or until the Total Contractual Quantity has been consumed, whichever earlier.

The agreement includes, among other things, a "take or pay" mechanism for a minimum annual quantity of natural gas at a volume and pursuant to a mechanism as set out in the agreement (hereinafter – the “minimum annual quantity”).

The Company will have an option to reduce the minimum annual quantity to a quantity equal to 50% of the average annual quantity it actually consumed during the three-year period preceding the date on which it gave notice that it was exercising the option, subject to adjustments set out in the agreement (hereinafter – the “reduction of the purchase quantity”). The reduction of the purchase quantity shall be possible at any time during the period commencing on the later of the following dates and concluding three years after that date: (1) Four years from the date on which the Commissioner of Oil Affairs approved the transfer of the rights to the Karish and Tanin licenses pursuant to the gas outline that was approved by the Government; (2) Five years from the date on which the flow of natural gas from the Leviathan Project to the Company commenced. The notice regarding the exercise of the option to reduce the purchase quantity will go into effect twelve months following the giving of such notice. Upon the reduction of the purchase quantity, the other quantities set out in the agreement will be reduced accordingly.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

8. Agreements for the supply of natural gas (cont.)

8.2 Agreement with the Leviathan Reservoir Partnership (cont.)

The agreement stipulated that the price of the natural gas will be linked partially to the price of a barrel of Brent crude and partially to the electricity production tariff, as will be set from time to time by the Electricity Authority, and it will include a "floor price".

In the opinion of the Company, the overall monetary scope of the agreement throughout the entire period of the agreement (based on an assessment of the price and quantity of natural gas the Company will acquire throughout the period of the agreement), could amount to US$ 700 million, assuming that the Company uses the entire contractual quantity. It is clarified that the actual monetary scope will be derived from several matters, including the quantities of natural gas that are actually acquired by the Company, the price of a barrel of Brent crude and the electricity production tariff.

On May 4, 2017, the Sellers notified that all the pre-conditions in the agreement had been fulfilled.

In June 2020, the Company began using natural gas from the Leviathan Reservoir.

In June 2024 the Company notified that that it is exercising its right to reduce the purchase quantity, which came into effect in June 2025, 12 months from the date of the notice. Upon the reduction of the purchase quantity, the other quantities indicated in the agreement were reduced accordingly.

In October 2023, a SPOT agreement was signed between the Company and the Leviathan Reservoir, for the purchase of additional quantities of natural gas, to be supplied to the Company, at its request, if the Leviathan Reservoir partnership has surplus quantities of natural gas. The agreement was signed for one year and can be cancelled on 7 days' notice. The agreement does not include a commitment to supply and/or purchase any quantities. This agreement was extended by one additional year until October 2025.

In January 2026, subsequent to the reporting date, an additional SPOT agreement was signed between the Company and the Leviathan Reservoir, for the purchase of quantities of natural gas, to be supplied to the Company, at its request, if the Leviathan Reservoir partnership has surplus quantities of natural gas. The agreement does not include a commitment to supply and/or purchase any quantities and will end in December 2026.

8.3 Agreement with a supplier on the secondary market for the supply of natural gas

In May 2025 a natural gas supply agreement was signed between the Company and a supplier in the secondary market (hereinafter in this item: "the seller") by which the Company will purchase from the seller natural gas (hereinafter in this item: "the agreement"). Pursuant to the agreement, the seller will supply the Company a total contractual quantity of about 27 million MMBTU throughout the life of the agreement (hereinafter: "the total contractual quantity"), at the terms set forth in the agreement. The agreement is for a period of five years beginning from July 1, 2025. The agreement includes, inter alia, a Take or Pay mechanism for a minimum annual quantity of natural gas at a volume and pursuant to a mechanism as set out in the agreement. According to the agreement the price of natural gas will be partly linked to the production component tariff as set from time to time by the Electricity Authority and partly to the US consumer price index. In the opinion of the Company, the overall monetary scope of the agreement throughout the entire period of the agreement (based on an assessment of the price and quantity of natural gas the Company will acquire throughout the period of the agreement), could amount to US$ 120 million, assuming that the Company uses the total contractual quantity. It is clarified that the actual monetary scope will be derived from several matters, including the quantities of natural gas that are actually acquired by the Company and changes in the linkage as mentioned above.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

9. Agreements for the supply of condensate

On November 28, 2012, an agreement was signed between the Company and the Tamar Reservoir Partnership (hereinafter – the “Sellers”) for the supply of condensate (a hydrocarbon liquid created during the production of natural gas), whereby the Company would purchase from the sellers condensate produced from the Tamar field (to the extent that any is produced). Pursuant to the agreement, the Sellers undertook to supply the Company with condensate that would flow to the receiving facility in Ashdod from the Tamar Project, in accordance with and subject to quantities and conditions set out in the agreement. According to the agreement, the price to be paid to the Sellers in respect of the condensate is determined on the basis of the Brent prices, less a margin as set out in the agreement. The agreement period shall commence on the date the condensate begins to flow from the Tamar Project, for a period of five years (hereinafter – the “agreement period”). In addition, the agreement sets out provisions pertaining to daily, monthly and annual (minimum and maximum) limits regarding the quantities of condensate, penalties in the event of a breach of the provisions of the agreement, etc.

In November 2016, the parties agreed to a commercial amendment to the agreement that has no material impact on the results of operations of the Company, as well as to an extension of the agreement for a five-year period.

In February 2021, the parties agreed to an additional commercial amendment to the agreement that provides the Company an additional discount on the price of condensate and extends the agreement until December 31, 2030.

In January 2023, the Company and the Leviathan Reservoir Partnership signed an agreement for the supply of condensate that will flow from the Leviathan reservoir to the receiving facility in Ashdod, in accordance with and subject to quantities and conditions set out in the agreement. According to the agreement, the price to be paid in respect of the condensate is determined on the basis of the Brent prices, less a margin and is scaled as set out in the agreement. The agreement is for 4 years beginning from the date of beginning to complete conversion of the pipeline designated for transmitting the condensate to the refinery, pursuant to a transmission agreement that was signed between the Sellers and Energy Infrastructures Ltd., the owner of the aforesaid pipeline.

In addition, the agreement set out provisions pertaining to daily and monthly supply limits regarding the quantities of condensate, compensation mechanisms in the case of undersupply or underuse, a liability ceiling, and so forth. Transmission of condensate to Ashdod Refinery began in March 2024.

In 2024-2025 notices were received from time to time from the Leviathan Partnership by which, per instruction by the Ministry of Energy the transmission of condensate to the refinery has been stopped. As a result of these disruptions, the quantity that was received is lower than the quantity that was produced. It is noted that the quantities of condensate produced by the Leviathan Partnership, and accordingly the Company’s profit from refining the condensate is lower than the assessments at the beginning of the agreement and amounts to $ 10 million per year. In the Company’s opinion, the future annual contribution to profitability is not expected to be materially different in the following years of the agreement.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

10. Agreements for the purchase of oil

In April 2023 a framework agreement between the Company and a supplier of crude oil for the acquisition of 1-2 loads per month (but no more than 5 loads per quarter), weighing between 80,000 tons and 135,000 tons, was renewed for a period of 12 months with an option for its extension by an additional 12 months at the agreement of the parties, with the Company continuing to have operational and financing flexibility. The agreement was extended until the end of March 2026. The parties are negotiating renewal of the agreement for an additional year.

In April 2023 an additional framework agreement between the Company and a supplier of crude oil for the acquisition of 3-5 loads of crude oil per quarter with each load weighing between 80,000 tons and 135,000 tons was renewed for a period of 12 months with an option for its extension by an additional 12 months at the agreement of the parties. The agreement permits extending the credit terms provided in it to a maximum of 90 days in consideration for interest at the market rate. In 2024, the contractual minimum quantity was reduced to one load per quarter, subject to framework utilization restrictions of $ 200 million, leaving the Company with operational and financing flexibility. The agreement was extended until the end of March 2026. The parties are negotiating renewal of the agreement for an additional year.

In December 2020 another framework agreement was signed between the Company and a supplier of crude oil for the purchase of 1 to 3 loads of crude oil per quarter, with each load weighing between 70,000 tons and 130,000 tons, leaving the Company with operational and financing flexibility. The agreement was extended until December 2026.

11. Agreements for the purchase of catalyst for catalytic cracker

In May 2021, the Company signed an agreement with a leading international supplier for the supply of a catalyst for the catalytic cracker. The price in the agreement is in terms of dollar per ton. The price has linkage mechanisms according to the prices of raw materials used to manufacture the catalyst. In August 2022 the supplier notified the Company that following the rise in prices of natural gas and raw materials in Europe, it plans to exercise a clause in the agreement by which in cases of an extraordinary rise in prices of raw materials and energy it may renegotiate the contractual price, and insofar as no agreement is reached on a new price, each one of the parties may terminate the agreement with 150 days' notice. After a meeting was held with the supplier and the parties exchanged proposals but no agreement was reached, in September 2022 the supplier notified the Company that it is terminating the agreement, effective February 2023, and that it is immediately reducing the quantities of the catalyst to the contractual minimum. In March 2023, the Company signed a new agreement with the supplier, and the supply of the catalyst was renewed according to the Company's requirements. In accordance with the agreement, the price formula was amended in the agreement such that it will be linked to the price of natural gas in Europe and to the prices of precious metals. In December 2024, a new agreement was signed between the Company and the supplier, effective through December 2027.

In addition, in May 2025, the Company signed an agreement with another company for the supply of catalyst in accordance with the Company’s requirements, for a period of three years.

Note 26 - Contingent Liabilities and Commitments (cont.)

C. Guarantees and documentary credit

The Company has performance and financial guarantees in the amount of $ 13 million, mainly in favor of Noga Israel Independent System Operator Ltd. The Company has documentary credit in respect of imports of raw materials and equipment in the amount of $ 108 million.

Furthermore, the Company has guarantees in the amount of $ 4 million to third parties as security for the commitments of Paz. Paz undertook towards the Company, absolutely and irrevocably and without any limit, that for as long as these guarantees are in effect, it will indemnify the Company in respect of any amount, of any kind and type (including interest and linkage differences) the Company pays in respect of and/or in connection with the aforesaid guarantees.

Note 27 - Related and Interested Parties

A. Balances with interested and related parties

$ millions	**December 31,**	
	2025	**2024**
Shapir (see C.2)		
Trade receivables	1	2
Other interested parties ****		
Other receivables	2	1
Trade payables	*	*

B. Transactions with interested and related parties

	Year ended December 31		
$ millions	**2025**	**2024**	**2023**
Paz**			
Revenues	-	-	1,414
Cost of sales and refining	-	-	*
Selling expenses	-	-	*
General and administrative expenses ***	-	-	1
Financing expenses, net	-	-	*
Other companies in the Paz group**			
Revenues	-	-	9
Cost of sales and refining	-	-	*
Financing expenses, net	-	-	*
Shapir (see C.2)			
Revenues	4	2	-
General and administrative expenses	2	2	*
Other interested parties ****			
Revenues	-	*	10
Cost of sales and refining	8	16	11
Other income	3	-	-
Directors' salary	1	1	*

* Less than $ 1 million.

** See C.1 hereunder

*** Including employment cost of CEO.

**** Including mainly insurance companies that are defined as interested parties pursuant to the definition in the Securities Law.

Note 27 - Related and Interested Parties (cont.)

C. Additional information

1. Paz – until the spin-off date

The spin-off of the Company from Paz and the listing of its shares on the Tel Aviv stock exchange was completed at the end of August 2023. As from that date, Paz and its subsidiaries are no longer related parties of the Company.

2. Shapir

2.1 Consultancy agreement

As from the spin-off date and the issuance of shares to Shapir, an agreement came into effect by which Shapir will provide to the Company consultancy services on the manner and methods of operating in the areas of investments and raising capital, business development, project management, maintenance of the power plant and assistance in the process of separating from Paz and its information systems. The scope of the agreement is $ 2 million per year.

2.2 Rent agreement

The Company has a rent agreement with Shapir by which the Company rents out to Shapir an area of 43 dunams (1 dunam = 1,000 square meters) on the Company's property that is not presently used by the refinery in its operations. As at the reporting date, the rent agreement has not yet come into effect, and Shapir has the right to decide when the rent will begin by providing the Company an advance notice of three months in writing. Shapir will receive possession of the leasehold only when the rent period begins, and it has 57 months from the issuance date of the shares to decide whether to begin the rent period. If no such notice is provided within 57 months, the rent agreement will be cancelled. The rent period, after providing the advance notice, will be 24 years and 11 months, and Shapir will have no right to shorten the period.

3. Commitments with key management personnel

Employment agreement with the Company's CEO

On May 1, 2025, Mr. Ronen Yehezkel assumed office as the Company's CEO. Upon his appointment, the terms of his office and employment as CEO were approved by the Compensation Committee and the Board of Directors, without the need for approval by the General Meeting, in accordance with Regulation 1B2(c) of the Companies Regulations (Relief in Transactions with Interested Parties), 2000. Such terms are not more favorable than the terms of office and employment of the former CEO (Mr. Amit Carmel), who served as CEO at the time of the Company's initial public offering, as described in the spin-off prospectus.

The employment agreement is for an indefinite term, and either party may terminate the engagement by providing six months' prior written notice.

Mr. Yehezkel's monthly salary is linked to the Consumer Price Index. He is entitled to severance pay pursuant to Section 14 of the Severance Pay Law, 1963, and to social benefits and customary additional benefits, including a study fund (with contributions by both the Company and the CEO calculated on the full monthly salary, as updated from time to time), a vehicle with all costs relating to its use and maintenance borne by the Company (on a grossed-up basis), and reimbursement of business expenses in accordance with Company policy.

Mr. Yehezkel has undertaken obligations toward the Company relating to confidentiality, non-competition, and the protection of intellectual property rights.

Note 27 - Related and Interested Parties (cont.)

C. Additional information (cont.)

3. Commitments with key management personnel (cont.)

Employment agreement with the Company's deputy CEO

On January 2, 2025, the Company's board of directors decided to appoint Mr. Yitzchak (Jacky) Berdugo as the interim CEO beginning from January 5, 2025. Mr. Berdugo is employed at the Company since September 1, 1991. In 2017 he was appointed as Head of Production and in 2020 as VP of Operation. Further to his appointment as interim CEO as aforesaid, the compensation committee and board of directors approved a raise in Mr. Berdugo's monthly salary and a fully grossed up car, as well as a monthly bonus for each month he serves as the interim CEO.

In accordance with the present employment agreement, Mr. Berdugo may terminate his employment at an advance notice of 30 days in writing and the Company may terminate the employment at an advance notice of two months in writing. If Mr. Berdugo's employment is terminated due to dismissal, other than in the case of taking retirement, he will be entitled to a one-time adaptation bonus in the amount of 10 monthly salaries (according to the amount of the monthly salary at the beginning of the agreement).

Upon the conclusion of Mr. Berdugo's employment due to retirement or dismissal, in addition to the aforesaid severance pay, Mr. Berdugo will be entitled to severance pay according to law, while in respect of the period of employment before the present employment agreement (hereinafter: "the first period"), the amounts accumulated to him as severance pay in the pension fund will be instead of 72% of the severance pay for the first period, pursuant to Section 14 of the Severance Pay Law and in respect of the period of the agreement Section 14 of the Severance Pay Law will apply fully.

If Mr. Berdugo's employment is terminated due to dismissal or retirement, then in addition to the aforesaid severance pay, he will be entitled to enhanced severance benefits, as follows: (a) In respect of the first period: a special retirement grant in the amount of NIS 246,540 (calculated as 100% of his last determining salary in the first period multiplied by the number of years of service during the first period), together with linkage differentials to the Consumer Price Index, from the CPI for July 2008 through the date of actual payment; (b) In respect of the current agreement period: if Mr. Berdugo was dismissed between July 1, 2019 and July 1, 2029, he will be entitled to enhanced severance benefits at a rate of 120%, calculated as his last determining salary multiplied by the number of years of service during the agreement period. If Mr. Berdugo is dismissed between July 1, 2029 and his retirement at the statutory retirement age, he will be entitled to enhanced severance benefits at a rate of 100%, calculated as his last determining salary multiplied by the number of years of service during the agreement period.

The monthly salary of Mr. Berdugo is the basis for calculating his social and related benefits, including those required by law. The monthly salary of Mr. Berdugo will be adjusted according to the rise in the Consumer Price Index, with the base index being the index of May 2008 and the determining index being the index on every payment date. Mr. Berdugo is entitled to customary related benefits, such as an advanced study fund, a car that the Company will pay the expenses involved in its use and maintenance (fully grossed up), reimbursement of business expenses according to the Company's policy.

Mr. Berdugo has undertakings towards the Company to maintain confidentiality, for non-competition and for safeguarding of intellectual property rights.

Upon the appointment of Mr. Ronen Yehezkel as CEO of the Company as aforesaid, Mr. Jacky Berdugo ceased serving as the interim CEO and on May 4, 2025 returned to his position as the Company's Deputy CEO and VP of Operation.

Note 27 - Related and Interested Parties (cont.)

C. Additional information (cont.)

3. Commitments with key management personnel (cont.)

Compensation and benefits to key management personnel (including directors) that are employed by the Company:

$ thousands	Year ended December 31					
	2025		2024		2023	
	Number of people	Amount	Number of people	Amount	Number of people	Amount
Short-term employee benefits	* 3	584	1	474	1	879
Share-based payments	-	-	-	-	1	70
Termination benefits	* 1	86	-	-	-	-
		670		474		949

* Including the outgoing CEO, the Deputy CEO for the months January through April and the CEO for the months May through December.

Compensation and benefits to key management personnel (including directors) that are not employed by the Company:

$ thousands	Year ended December 31					
	2025		2024		2023	
	Number of people	Amount	Number of people	Amount	Number of people	Amount
Total benefits to directors not employed by the Company	7	753	7	772	8	240