Ashdod Refinery Ltd.

Condensed Interim Financial Statements
As of June 30, 2026
(Unaudited)

Translation from the Hebrew

Financial Statements as of June 30, 2026

Contents

Somekh Chaikin
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INDEPENDENT AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF ASHDOD REFINERY LTD.

Introduction

We have reviewed the accompanying financial information of Ashdod Refinery Ltd. (hereinafter - "the Company") comprising of the condensed interim statement of financial position as of June 30, 2026 and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six and three month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of financial information for these interim periods in accordance with IAS 34 "Interim Financial Reporting", and are also responsible for the preparation of financial information for these interim periods in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of Review

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

Conclusion

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

In addition to that mentioned in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

As explained in Note 2A The accompanying financial statements represent a translation into English from the original financial statements in Hebrew.

Somekh Chaikin

Somekh Chaikin
Certified Public Accountants (Isr.)

August 18, 2026

Condensed Interim Statements of Financial Position

$ millions	**As of June 30, 2026**	**As of June 30, 2025**	**As of December 31, 2025**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Current assets			
Cash and cash equivalents	333	256	289
Trade receivables	238	182	116
Other receivables	116	23	95
Derivative instruments	39	12	4
Inventory	348	338	230
Total current assets	1,074	811	734
Non-current assets			
Deposit in trust	11	10	11
Long-term other receivables	5	4	4
Right-of-use assets	15	20	17
Fixed assets	621	635	623
Intangible assets	1	1	1
Deferred tax assets	11	4	9
Total non-current assets	664	674	665
Total assets	1,738	1,485	1,399

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

Condensed Interim Statements of Financial Position

$ millions	As of June 30, 2026 (Unaudited)	As of June 30, 2025 (Unaudited)	As of December 31, 2025 (Audited)
Current liabilities			
Current maturities of loans and debentures	39	34	36
Trade payables	806	633	519
Derivative instruments	38	23	3
Other payables	58	21	51
Current maturities of lease liabilities	10	9	9
Total current liabilities	951	720	618
Non-current liabilities			
Debentures, net	211	216	228
Long-term loans	25	26	26
Long-term lease liabilities	9	16	13
Liability for authorization fees	20	17	18
Employee benefits	21	16	19
Total non-current liabilities	286	291	304
Total liabilities	1,237	1,011	922
Equity			
Share capital	*	*	*
Share premium	322	322	322
Reserve from translation differences	57	57	57
Retained earnings	122	95	98
Total equity	501	474	477
Total liabilities and equity	1,738	1,485	1,399

* Less than $ 1 million.

Ofer Orlitzky	Yogev Gavri	Ester Pinsler
Chairman of the Board	CEO	CFO

Date of approval of the financial statements: August 18, 2026

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

Condensed Interim Statements of Profit or Loss and Other Comprehensive Income

$ millions		Six month period ended June 30,		Three month period ended June 30,		Year ended December 31,
		2026	2025	2026	2025	2025
	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues	7	1,782	1,406	1,091	668	3,028
Cost of sales		(1,707)	(1,365)	(982)	(639)	(2,966)
Gross profit		75	41	109	29	62
Selling expenses		(5)	(5)	(2)	(2)	(8)
General and administrative expenses		(9)	(7)	(5)	(4)	(16)
Other income, net		*	*	*	*	35
Operating profit		61	29	102	23	73
Financing income		1	2	1	(8)	3
Financing expenses		(40)	(41)	(26)	(31)	(86)
Financing expenses, net		(39)	(39)	(25)	(39)	(83)
Profit (loss) before taxes on income		22	(10)	77	(16)	(10)
Tax benefit (expense)		2	8	(8)	10	13
Profit (loss) for the period		24	(2)	69	(6)	3
Other comprehensive income (loss) items that will not be carried to profit and loss						
Re-measurement of a defined benefit program, net of tax		*	*	*	*	(2)
Total comprehensive income (loss) for the period		24	(2)	69	(6)	1
Basic and diluted earnings (loss) per share ($)		1.9	(0.2)	5.5	(0.5)	0.2

* Less than $ 1 million.

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

Condensed Interim Statements of Changes in Equity

$ millions	Share capital	Share premium	Capital reserve from translation differences	Retained earnings	Total
For the six month period ended June 30, 2026 (unaudited)					
Balance as of January 1, 2026	*	322	57	98	477
Profit for the period	-	-	-	24	24
Other comprehensive income for the period	-	-	-	*	*
Balance as of June 30, 2026	*	322	57	122	501
For the six month period ended June 30, 2025 (unaudited)					
Balance as of January 1, 2025	*	322	57	97	476
Loss for the period	-	-	-	(2)	(2)
Other comprehensive income for the period	-	-	-	*	*
Balance as of June 30, 2025	*	322	57	95	474

* Less than $ 1 million

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

Condensed Interim Statements of Changes in Equity

$ millions	**Share capital**	**Share premium**	**Capital reserve from translation differences**	**Retained earnings**	**Total**
For the three month period ended June 30, 2026 (unaudited)					
Balance as of April 1, 2026	*	322	57	53	432
Profit for the period	-	-	-	69	69
Other comprehensive income for the period	-	-	-	*	*
Balance as of June 30, 2026	*	322	57	122	501
For the three month period ended June 30, 2025 (unaudited)					
Balance as of April 1, 2025	*	322	57	101	480
Loss for the period	-	-	-	(6)	(6)
Other comprehensive income for the period	-	-	-	*	*
Balance as of June 30, 2025	*	322	57	95	474
For the year ended December 31, 2025 (audited)					
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

* Less than $ 1 million

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

Condensed Interim Statements of Cash Flows

$ millions	**Six month period ended June 30,**		**Three month period ended June 30,**		**Year ended December 31,**
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)		**(Unaudited)**		**(Audited)**
Cash flows from operating activities					
Profit (loss) for the period	24	(2)	69	(6)	3
Adjustments for:					
Depreciation and amortization	28	34	14	17	69
Financing expenses, net	39	39	25	39	83
Foreign exchange differences	7	(4)	4	(9)	(12)
Income tax expense (income)	(2)	(8)	8	(10)	(13)
Capital loss (gain) on de-recognition of fixed assets	-	*	-	*	*
	96	59	120	31	130
Change in derivatives	(5)	*	(74)	*	(3)
Change in inventory	(117)	(57)	113	(66)	50
Change in trade receivables	(131)	(44)	(171)	(13)	28
Change in other receivables	(21)	(1)	49	4	(73)
Change in trade payables	289	78	111	73	(39)
Change in other payables	9	5	34	5	35
Change in employee benefits	1	1	1	1	2
Current taxes paid	*	*	*	*	*
Net cash from operating activities	121	41	183	35	130

* Less than $ 1 million.

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

Condensed Interim Statements of Cash Flows

$ millions	**Six month period ended June 30,**		**Three month period ended June 30,**		**Year ended December 31,**
	2026	**2025**	**2026**	**2025**	**2025**
	(Unaudited)		**(Unaudited)**		**(Audited)**
Cash flows from investing activities					
Interest received	1	1	1	1	3
Repayment of long-term loans to employees	*	*	*	*	*
Acquisition of fixed assets	(25)	(9)	(12)	(5)	(26)
Proceeds from sale of fixed assets	-	*	-	*	*
Net cash used in investing activities	(24)	(8)	(11)	(4)	(23)
Cash flows from financing activities					
Receipt (repayment) of loan and bank credit, net	*	(7)	*	(7)	(11)
Repayment of long-term loans	(2)	(2)	(2)	(2)	(4)
Repayment of debentures	(34)	(22)	(34)	(22)	(22)
Payment of principal of lease liabilities	(5)	(4)	(3)	(2)	(8)
Interest paid	(21)	(18)	(17)	(14)	(39)
Net cash used in financing activities	(62)	(53)	(56)	(47)	(84)
Increase (decrease) in cash and cash equivalents	35	(20)	116	(16)	23
Cash and cash equivalents as at the beginning of the period	289	257	208	253	257
Effect of exchange rate fluctuations on cash and cash equivalents	9	19	9	19	9
Cash and cash equivalents as at the end of the period	**333**	**256**	**333**	**256**	**289**
Material non-cash transactions					
Acquisition of fixed assets on credit	5	5	5	5	7

* Less than $ 1 million.

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

Note 1 - General

The reporting entity

Ashdod Refinery Ltd. (hereinafter – “**the Company**”) 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.

To the best of the Company’s knowledge, and based on the information stated in Shapir’s financial statements for the first quarter of 2026, which were published on May 26, 2026, Shapir is advancing the request to hold means of control and to obtain a control permit in the Company pursuant to Government Companies Order (Declaring the State’s Essential Interests in Ashdod Oil Refinery Ltd.) – 2006, but has clarified that it has not yet made a decision regarding which of the available options it will exercise. 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.

Note 2 - Basis of Preparation

A. Statement of compliance with IFRS

These condensed interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2025 (hereinafter – “**the annual financial statements**”).

Furthermore, these financial statements have been prepared in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

These condensed interim financial statements were authorized for issue by the Company's Board of Directors on August 18, 2026.

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. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to exercise judgment when making 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 estimates and judgments made by management in applying the Company's accounting policies and preparing the interim financial statements were consistent with those applied in preparing the financial statements as at December 31, 2025.

Note 2 - Basis of Preparation (cont'd)

C. 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 USD since the dollar is the currency that represents the economic environment of the Company when acting as an independent company in the refining industry.

Note 3 - Significant Accounting Policies

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its annual financial statements.

Note 4 - Material Events In and Subsequent to the Reporting Period

1. Refinery malfunction

Further to that mentioned in Note 1.C.1 to the annual financial statements, during January 2026, 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 the malfunction, the Company accumulated inventory of substandard oil. During the reporting period, the Company sold part of this inventory. As of June 30, 2026, the Company recorded an impairment provision for substandard inventory in the amount of $ 26 million, based on indications of the inventory's realizable value. This amount reflects the discount the Company will be required to give for the substandard inventory and excludes the effect of changes in barrel prices between the purchase date and June 30, 2026.

The Company is acting to fully exploit its rights with the supplier and with the carriers of the Company's property insurance and consequential loss insurance. In June 2026, the Company and the insurers agreed on the receipt of an additional advance payment in the amount of $18 million (hereinafter – "**the additional advance payment**"). As of the date of approval of the report, the additional advance payment has not yet been recognized as income, and recognition of income will be assessed in light of the progress made in realizing the rights vis-à-vis the insurers. Accordingly, during the reporting period, an amount of $ 38 million was received from the insurance companies, and $ 9 million was received subsequent to the reporting date, and in total, advances of $58 million were received from insurance companies, of which $40 million was recognized as income in 2025.

Following the reporting date, the Company updated its claims against the insurers in respect of the malfunction in the refinery facilities, and separated its claim against them in respect of a malfunction event that occurred in one of the facilities, which was found not to have originated from the substandard oil.

A reimbursement asset from the supplier, in the amount of $ 47 million, was recognized in 2025 and remained unchanged during the reporting period.

As of June 30, 2026, the Company is in compliance with all the financial covenants with banks and the holders of debentures.

Note 4 - Material Events In and Subsequent to the Reporting Period (cont'd)

2. "Iron Swords" war

Further to that mentioned in Note 1.C.2 to the annual financial statements, during and subsequent to the reporting period, there has been a noticeable escalation in the Turkish boycott of crude oil import activity through Turkish ports, which are used by the shipping companies that transport oil to Israel. Accordingly, the transportation costs of oil to the refinery increased significantly. The Company is optimizing its procurement and shipping operations, including, among other things, by expanding and diversifying its sources of crude oil supply.

According to examinations that were carried out by the Company, as at the date of issuing this report, there has been no significant change in the Company's assessments regarding the effects of the war 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.

3. Operation "Roaring Lion" (2026 Iran war)

On February 28, 2026, the State of Israel and the United States launched a joint attack against Iran (hereinafter – "**the Operation**"). 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.

On April 8, 2026, the United States and Iran announced the entry into force of a ceasefire, which also included Israel. On April 12, 2026, the United States announced the imposition of a naval blockade on the Strait of Hormuz, following its closure to vessel traffic by Iran shortly after the commencement of the operation. This led to a surge in energy prices, significant disruptions to supply chains, an increase in inflation expectations, and other effects.

During the operation, the Company acted 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. In addition, an order prohibiting the export of distillates was received from the Fuel Administration (hereinafter: "the Supervision Order"). As of the date of approval of this report, no restrictions apply to the Company pursuant to the aforementioned Supervision Order.

Due to the operation, some of the Company's customers reduced their purchases of distillates for April-May 2026.

As a result of the operation, the price of a barrel of oil increased significantly and reached a peak of about $ 145 per barrel. During the ceasefire period, the price per barrel decreased sharply, and, up to the date of approval of the report, the price per barrel was characterized by high volatility. As of June 30, 2026, oil was trading at approximately $72 per barrel. As part of the Company's risk management policy, the Company enters into hedging transactions on oil prices. The Company has unhedged inventory amounting to 165 thousand tons.

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 during the period of the operation to a level of $9 per barrel. In addition, there was a significant increase in the premium on raw material prices, an increase in logistics expenses, and an impact on the supply of natural gas and condensate. All this had a negative effect on the Company's results. These effects decreased during May and June.

Note 4 - Material Events In and Subsequent to the Reporting Period (cont'd)

3. Operation "Roaring Lion" (2026 Iran war) (cont'd)

Conversely, refining margins strengthened significantly during and after the war, inter alia due to damage to export-oriented refineries in the Persian Gulf. The margins for diesel and jet fuel distillates reached record levels, as did gasoline margins, which were also affected by low inventory levels. The increase in the refining margin has a positive effect on the Company's results. The Company mainly entered into forward hedging transactions on product margins through the end of 2026. In the reporting period, a loss of $ 61 million was recognized in respect of these transactions.

Since these are 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 aforementioned events on its activities. Nevertheless, at this time, the Company is unable to assess this effect on its financial position, its operating results and its cash flows.

4. Military conflict in Europe

Further to that mentioned in Note 1.C.6 to the annual financial statements, since the beginning of May 2026, Ukrainian attacks on energy infrastructure in Russia have significantly impaired Russia's refining capacity, thereby burdening refining activity, reducing the availability of distillates in the Russian market, and adversely affecting Russia's export volumes of fuel products, mainly diesel and gasoline. As a result of the damage to the refineries, global availability of distillates decreased, which led to an increase in refining margins.

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.

5. Agreements for the purchase of oil

Further to that mentioned in Note 26.B.10 to the annual financial statements, the Company extended agreements with two crude oil suppliers for another year, until the end of March 2027.

6. The marine buoys of the Israel Electric Company

Further to that mentioned in Note 1.C.5 to the annual financial statements, to the best of the Company's knowledge, the temporary license that was given to Israel Electric Company for the operation of the marine buoys has been extended until August 31, 2026.

7. Officers

On April 26, 2026, the Company's CEO, Mr. Ronen Yehezkel, informed the Chairman of the Board of Directors of his desire to conclude his service as the Company's CEO. On June 30, Mr. Yehezkel ceased to serve in his position. On June 28, 2026, the Company's Board of Directors, following the approval of the Compensation Committee, approved a bonus for the outgoing CEO in the amount of NIS 500 thousand in respect of 2025, and a bonus in the amount of NIS 500 thousand in respect of 2026 and the termination of his engagement with the Company, which will be paid in 2027.

On July 20, 2026, subsequent to the reporting date, Mr. Yogev Gavri was appointed to serve as the Company's CEO. On July 26, he commenced serving in his position. On that date, the Company's Board of Directors, following the approval of the Compensation Committee, approved the terms of office and employment of the incoming CEO, in accordance with Regulation 1B2(c) of the Companies Regulations (Relief in Transactions with Interested Parties), 2000, which include fixed compensation and an annual bonus in accordance with the Company's compensation policy, and which are not more beneficial than the terms of office and employment of the person who served as the CEO at the time of the Company's initial public offering of securities, as described in the offering prospectus, or with respect to which there is no material change in the terms between the two engagements and in the other relevant circumstances.

Note 4 - Material Events In and Subsequent to the Reporting Period (cont'd)

7. Officers (cont'd)

The employment agreement is for an indefinite term, and each party may terminate the employment by providing 180 days' prior written notice.

Mr. Gavri's monthly salary is linked to the Consumer Price Index. Mr. Gavri is entitled to severance pay pursuant to Section 14 of the Severance Pay Law, 1963, and to social benefits and customary ancillary benefits, including an advanced training fund, a vehicle, with the Company bearing the expenses associated with its use and maintenance (with full gross-up), and reimbursement of business expenses in accordance with the Company's policy.

Mr. Gavri has undertaken towards the Company obligations with respect to confidentiality, non-competition and protection of intellectual property rights.

8. Municipal tax assessment from the Ashdod Municipality

On June 16, 2026, the Company was served with a municipal tax assessment from the Ashdod Municipality, following measurements carried out by the Municipality at the Company's site. The aforesaid assessment for 2026 reflects an increase of 110% compared with the previous year's assessment. According to the Municipality, the increase is attributable to a significant built-up area that had not been charged municipal tax. In addition, the Municipality decided to charge the Company municipal tax in respect of the said area for the years 2019-2025. As a result, the total charge amounts to NIS 266.3 million, including linkage differentials and interest. The Company disputes the assessment and believes, based on the opinion of its legal advisors, that it has good arguments against the assessment. Accordingly, it intends to initiate proceedings in respect of the assessment within the timeframes prescribed by law. At this preliminary stage, it is not possible to assess the outcome of these proceedings.

9. Motion for disclosure of documents filed against the Company and Paz

On June 15, 2026, the Company became aware that a motion for disclosure and inspection of documents pursuant to Section 198A of the Companies Law, 1999, had been filed with the Central District Court against the Company and against Paz, the Company's former controlling shareholder (hereinafter – "**the motion**" and "**the respondents**"). According to the allegations, the motion was filed by a shareholder of the Company who held shares of Paz prior to the Company's spin-off on August 28, 2023 and the distribution of the Company's shares as a dividend in kind to Paz's shareholders (hereinafter – "**the applicant**"). The motion alleges, inter alia, that environmental violations in connection with the refinery's operations over the years, in respect of which various enforcement measures were taken, including financial sanctions against the Company, indicate an alleged breach of the duties of supervision and oversight imposed on officers of the respondents. In the motion, the court is requested to order the Company to disclose to the applicant the documents specified therein. The Company is reviewing the motion and will submit its response in accordance with the provisions of law.

10. Class action against Israel Electric Company

Further to that mentioned in Note 26.A.3 to the annual financial statements, on July 26, 2026, subsequent to the reporting date, the Supreme Court issued its judgment on the appeal. Pursuant to the judgment, IEC was permitted to serve third-party notices against all the respondents, including the Company, and legal costs in an immaterial amount were awarded in its favor. Accordingly, the District Court set dates for the continuation of the proceedings before it. On August 10, 2026, IEC served third-party notices, including a notice against the Company. Based on the information available to it and the opinion of its legal advisors, the Company's management believes that the likelihood that the court will ultimately rule against the Company is less than 50%.

Note 4 - Material Events In and Subsequent to the Reporting Period (cont'd)

11. Clean Air Law

Further to that mentioned in Note 26.A.1 to the annual financial statements, on March 1, 2026, the Company was sent a warning letter and summons to a hearing due to suspected violations under Section 11(c) of the Prevention of Nuisances Law, 1961. The letter was received in respect of a suspicion of causing a strong or unreasonable odor nuisance, following complaints received by the call center of the Ministry of Environmental Protection on January 11 and 18, 2026. To the Company's knowledge, these were general and non-specific complaints by residents of the area. No details were provided regarding the identity of the complainants, the number of complaints, the location of the complaints, their exact timing or their content. The hearing was held on April 28, 2026, at which the Company presented its arguments in response to the allegations set out in the warning letter. No decision has yet been made in the matter.

The Company estimates, based on the opinion of its legal advisors, that the likelihood that the Company will be subject to a monetary fine is less than 50%.

12. Consultancy agreement

Further to Note 27.C.2 to the annual financial statements, on August 18, 2026, subsequent to the reporting date, the Company's Audit Committee and Board of Directors approved the extension of the services agreement between the Company and Shapir, pursuant to which Shapir provides the Company consultancy services, for an additional period of three years from the expiration date of the existing services agreement, i.e., until August 27, 2029, under terms identical to those of the existing services agreement.

Note 5 - Inventory Impairment

As at June 30, 2026, December 31, 2025 and June 30, 2025, the balance of inventory includes a provision for inventory impairment in the amount of $ 33 million, $ 99 million and $ 1 million, respectively. See also Note 4.1 above.

Note 6 - Documentary Credit

As at June 30, 2026 the Company has documentary credit in the amount of $ 121 million (December 31, 2025 – $ 108 million) in respect of the import of raw materials and equipment.

Note 7 - Revenues

A. Composition

$ millions	Six month period ended June 30,		Three month period ended June 30,		Year ended December 31,
	2026	2025	2026	2025	2025
	(Unaudited)		(Unaudited)		(Audited)
Local market	1,278	1,152	810	571	2,494
Export	459	222	256	82	464
Electricity and other	45	32	25	15	70
Total revenues	1,782	1,406	1,091	668	3,028
Breakdown of the revenue from the Company's major customers:					
Customer A	508	706	289	350	1,489
Customer B	208	178	124	89	380

B. Composition of revenues according to distillates

$ millions	Six month period ended June 30,		Three month period ended June 30,		Year ended December 31,
	2026	2025	2026	2025	2025
	(Unaudited)		(Unaudited)		(Audited)
Gasoline	568	504	353	252	1,121
Diesel fuel	609	477	397	203	1,017
Kerosene	282	137	160	76	366
Fuel oil	84	61	28	27	128
Other (includes electricity and dispensing)	239	227	153	110	396
Total revenues	1,782	1,406	1,091	668	3,028

Note 8 - Debentures, Loans, and Short-Term Credit

A. Further to that mentioned in Note 20 to the annual financial statements regarding entering into customer factoring agreements, as of June 30, 2026, customer debts in the amount of approximately $ 95 million have been derecognized in accordance with IFRS 9 (as of December 31, 2025, approximately $ 124 million was derecognized).

B. Further to that mentioned in Note 20 and Note 21 to the annual financial statements, as at June 30, 2026, the Company is in compliance with the financial covenants undertaken by it in order to raise bank credit and debentures.

C. As at June 30, 2026, the rating of the debentures is Baa1.il with a stable outlook.

Note 9 - Financial Instruments

(1) Financial instruments measured at fair value for disclosure purposes only

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, credit from banks, trade payables, other payables, long-term loans and lease liabilities, is equal to or approximates their fair value.

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

$ millions	**June 30, 2026**		
	Adjusted balance of par value	Carrying amount *	Fair value Level 1**
Series 2 debentures	188	190	201
Series 3 debentures	57	57	59

$ millions	**June 30, 2025**		
	Adjusted balance of par value	Carrying amount *	Fair value Level 1**
Series 2 debentures	190	192	203
Series 3 debentures	56	56	58

$ millions	**December 31, 2025**		
	Adjusted balance of par value	Carrying amount *	Fair value Level 1**
Series 2 debentures	201	203	211
Series 3 debentures	59	59	61

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

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

Note 9 - Financial Instruments (cont'd)

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

The table below presents an analysis of financial instruments measured at fair value using valuation methodology. The various levels are defined as follows:

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

	As of June 30, 2026 (Unaudited)			
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets – derivative instruments	37	2	-	39
Financial liabilities – derivative instruments	27	-	11	38

	As of June 30, 2025 (Unaudited)			
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets – derivative instruments	11	1	-	12
Financial liabilities – derivative instruments	11	10	2	23

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

* Less than $ 1 million.

For information regarding valuation techniques for determination of fair value of financial instruments measured at level 2, see Note 25.F to the annual financial statements.