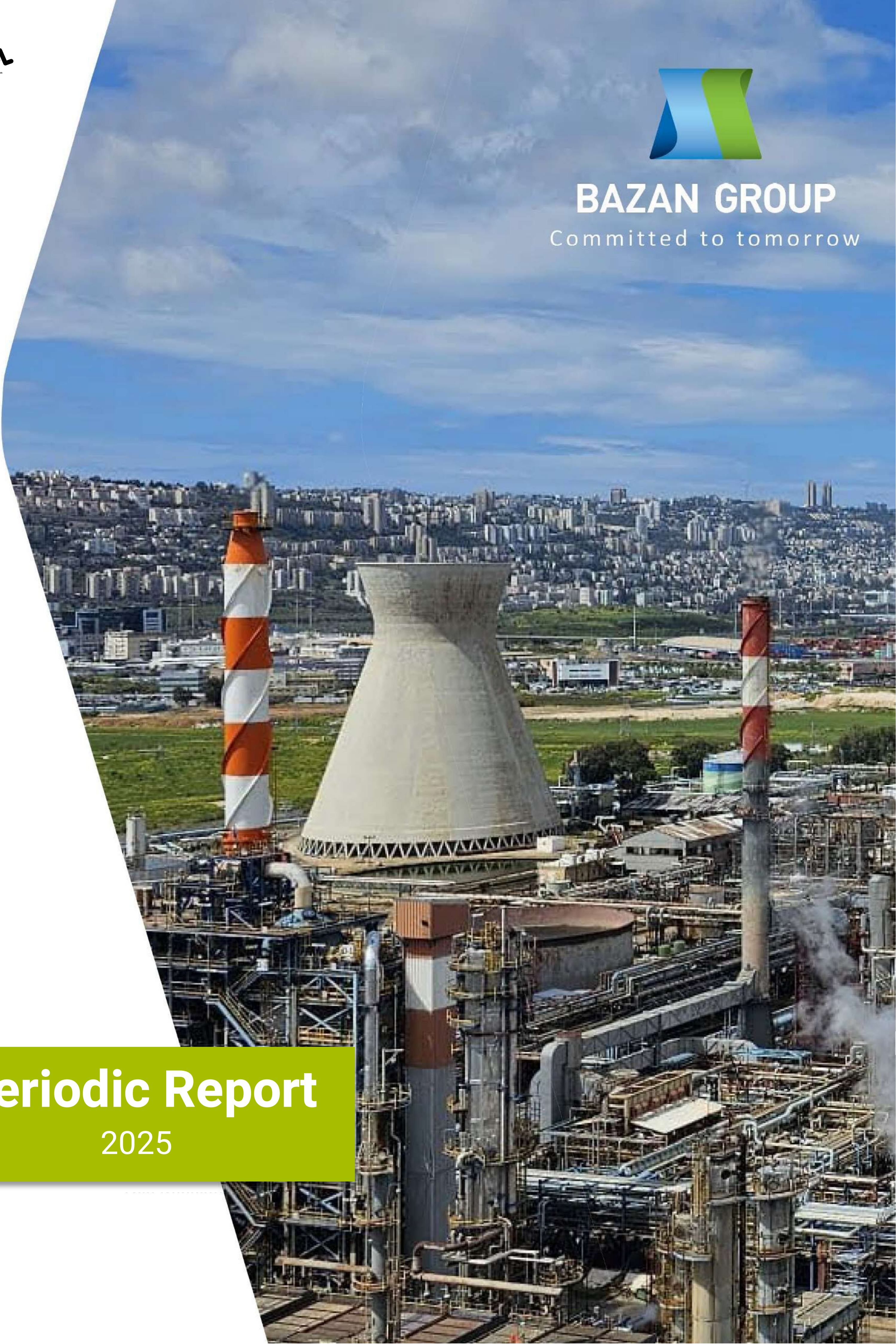

BAZAN GROUP

Committed to tomorrow

Periodic Report

2025

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Part A

Description of the Corporation's Business

Chapter A - Description of the Company's Businesses

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Part A - General

The description of the Company's business as detailed in this Chapter below was prepared on the assumption that the reader has before him/her the full periodic report of the Company, including all of its parts.

1.1 **Company Operations and Description of the Development of its Business**

1.1.1 Defined Terms [in alphabetical order]

1.1.1.1 **Ethylene** – A colorless, odorless gas at room temperature, used as a raw material in the petrochemical industry, mainly for the production of polyethylene.

1.1.1.2 **ORA** - Ashdod Refinery Ltd.

1.1.1.3 **Bitumen** – One of the refined products of crude oil; used mainly as a principal component in road building and for insulation.

1.1.1.4 **Gasoline** – One of the refined products of crude oil; used as fuel for transport.

1.1.1.5 **Benzene** – an aromatic material made from refined products.

1.1.1.6 **Gadiv** - Gadiv Petrochemical Industries Ltd.

1.1.1.7 **Natural Gas** – A gaseous substance that forms naturally underground, composed (in Israel) mostly of methane. Natural gas can be used as an energy source or raw material, is used by the Company for heating boilers and furnaces and raw material for producing hydrogen.

1.1.1.8 **LPG** - Liquefied petroleum gas, primarily known as cooking gas, and one of the refined products of crude oil.

1.1.1.9 **Report of the Board of Directors** – The Report of the Board of Directors for 2025 attached as Chapter B to the Annual Report.

1.1.1.10 **USD** - US dollar.

1.1.1.11 **Ducor -** Ducor Petrochemicals B.V.

1.1.1.12 Consolidated Financial **Statements** – The Company's Consolidated Financial Statements as at December 31, 2025, attached to **Chapter C of this Report.**

1.1.1.13 **The Group** (or the "**Companies**" or "**Group Companies**" or the "**Bazan Group**") - the Company and its subsidiaries

1.1.1.14 **Raw materials** – Materials purchased by the Group Companies and used by them in the production process, including, but not limited to, crude oil.

1.1.1.15 **Feedstock** – Materials produced by the Company and used as interim materials for its other facilities or as raw materials for its subsidiaries that are engaged in the production of petrochemical products.

1.1.1.16 **Clean Air Law** - Clean Air Law, 2008.

1.1.1.17 **Economic Competition Law** - Economic Competition Law, 1988.

1.1.1.18 **Securities Law** - Securities Law, 1968.

1.1.1.19 **Toluene** – An aromatic material made from refined products.

1.1.1.20 **Carmel Olefins** - Carmel Olefins Ltd.

1.1.1.21 **Carmel Eco** – Carmel Eco Ltd., a wholly-owned company (indirectly) of Carmel Olefins (formerly VPM Plast Ltd.).

1.1.1.22 **Fuel oil** – a product obtained after the initial refining processes; used mainly for heating and fueling ships.

1.1.1.23 **Very-low sulfur fuel oil** - Fuel oil with a sulfur content of up to 0.5%.

1.1.1.24 **IPE** - Israel Petrochemical Enterprises Ltd. A publicly-traded company, whose shares are listed on the Tel Aviv Stock Exchange Ltd. and which is the controlling shareholder of the Company.

1.1.1.25 **The refining margin** is the difference between revenue from the sale of the Company's product mix and the ex-refinery cost of the raw materials purchased by the Company (mainly various kinds of crude oil, diesel fuel and HVGO) and energy costs.

1.1.1.26 **Crude Oil** – A mixture composed primarily of hydrocarbons, formed in a natural underground process and mainly used to create petroleum distillates and petrochemical products. There are many different types of crude oil, characterized based on the location where they are produced.

1.1.1.27 **Naphtha** – one of the refined products of crude oil. Used as one of the components for the production of gasoline and industrially used as a raw material for the production of petrochemical products.

1.1.1.28 **INGL** – Israel Natural Gas Lines Ltd.

1.1.1.29 **Diesel fuel** – One of the refined products of crude oil; used for transport, electricity generation, and heating.

1.1.1.30 **Vacuum Gasoil** or **Heavy Vacuum Gasoil (VGO** or **HVGO)** – an interim material produced by way of primary refining and used in advanced refining processes for manufacturing oil products with high added value, primarily diesel fuel, kerosene and gasoline.

1.1.1.31 **Paraxylene** – An aromatic material made from refined products and by production processes in Gadiv.

1.1.1.32 **Polypropylene** – A polymer, the main uses of which are in engineering, for the production of consumer goods (such as diapers, toys, bottles, containers, household plumbing, tool boxes, disposable tableware, outdoor furniture, food packaging, office equipment), fibers and threads for making carpets, for use in the vehicle industry, and others.

1.1.1.33 **Polyethylene** – A polymer, the main uses of which are for manufacturing plastic products, such as products for agricultural use (such as food packaging, sheeting for greenhouses), for making flexible and hard packaging (such as bags and bottles), insulation products and household utensils.

1.1.1.34 **Paz** – Paz Retail and Energy Ltd. (formerly - Paz Oil Company Ltd.)

1.1.1.35 **Petroleum or PCH** - Petroleum Capital Holdings Ltd. - a subsidiary wholly-owned by IPE.

1.1.1.36 **Propylene** – A colorless, odorless gas at room temperature, used as a raw material in the petrochemical industry, mainly for the production of polypropylene.

1.1.1.37 **OPP** – Oil Products Pipeline Ltd., which, to the best of the Company's knowledge, is a subsidiary of Energy Infrastructures Ltd. (PEI).

1.1.1.38 **Cantium** – Cantium Management LLC and the corporations under its control.

1.1.1.39 **EAPC** – Europe Asia Pipeline Company Ltd.

1.1.1.40 **Kerosene/jet fuel** – One of the refined products of crude oil; used mainly as jet fuel and for heating.

1.1.1.41 **IMO 2020 Standard** – a Standard set by the International Maritime Organization, which came into effect on January 1, 2020, and requires ships to adhere to new, strict emission levels. For this purpose, they must use, in certain areas, fuel with a sulfur content that does not exceed 0.5% or install a treatment device on the ship that will reduce the ship's emission to the required level. As from May 2025, the Mediterranean region is be considered a limited emissions area - MED ECA - and the sulfur content in fuel will be limited to 0.1% for tankers, which have not installed a facility to reduce sulfur oxides emissions.

1.1.1.42 **PEI** – Energy Infrastructures Ltd.

1.1.2 <u>Establishment of the Company and main stages in its development</u>

Oil Refineries Ltd. (hereinafter - the "**Company**" or "**Bazan**"), was incorporated and registered in Israel in August 1959 under the name Haifa Refineries Ltd., which has absorbed the operations of the Haifa refinery that began operating in 1938 under the British mandate.

After the Ashdod refinery was split off from the Company and sold to Paz, in February 2007, the State of Israel sold all of the Company's issued and paid up share capital, such that following the sale, the Company ceased being a government company, and its shares were listed for trade on the TASE (hereinafter - the "**Privatization of the Company**"). The controlling shareholder of the Company is IPE (directly and via Petroleum).

For details regarding the Company's control permit granted to IPE (Israel Petrochemical Enterprises) and its individual controlling shareholders, see Section 1.19.10.3 below.

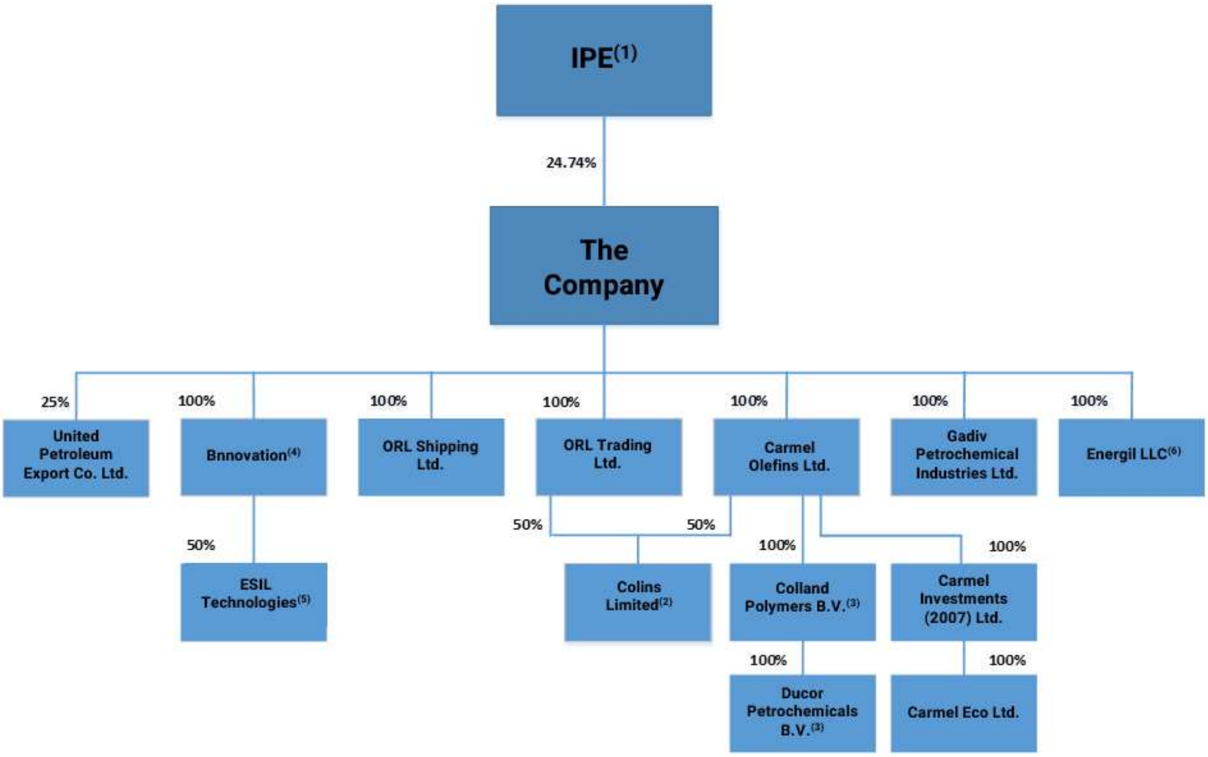
The Group Companies are industrial companies operating mainly in Israel[1] and are engaged primarily in the production of fuel products and aromatics used as raw materials for the chemical and petrochemical industry, as well as the production of polymers used as raw materials for the plastics industry. The facilities of the Israel-based material subsidiaries are integrated with those of the Company.

In the reporting year, the Company's Haifa Bay compound was struck by missiles, and three of the Group's employees were killed. For further details, see Section 1.6.3.4 below.

In the reporting year, the Company expanded the Group's activity to include an investment in an oil asset, investing in Cantium, a privately-owned US-based corporation whose main activity is production and operation of shallow-water oil and gas assets in the Gulf of America, located near the Louisiana coastline, in the US. For further details and a description of Cantium's activity, see Section 1.10 below.

[1] With the exception of Ducor, which operates in the Netherlands, and with the exception of additional companies whose operations are immaterial and which are not involved in production.

1.1.3 Chart of the Company's holding structure as at December 31, 2025 [2]



(1) The shares are held directly by IPE and indirectly by Petroleum. IPE is a publicly-traded company whose shares are listed on the TASE.
(2) A company registered in Guernsey.
(3) Companies registered in the Netherlands.
(4) A limited partnership wholly-owned by Bazan Group, which coordinates the innovation activity. For details regarding the innovation activity, see Section 1.12.2 below.
(5) Limited partnership established by the Company and EDF Renewables in collaboration with Johnson Matthey- under the innovation activity as detailed in Section 1.12.2 below.
(6) A special-purpose corporation registered in Delaware, USA, established for the purpose of the Company's investment in Cantium, as set forth in Section 1.10 below.

[2] The figure shows active material companies. It is noted that as at the report date, the Company holds a number of additional companies whose activity is negligible compared to the Group's business, and/or that are not active and therefore do not appear in the chart.

1.2 **Company's areas of activity**

The Company was engaged in three areas of operation, reported as business segments in its financial statements, as follows:

1.2.1 **Refining Segment:** As part of its operations in its refining activity the Company purchases crude oil and intermediate materials; it refines, separates and processes them into various products, some of which are finished products and others are raw materials for the manufacture of other products. As part of this area of activity, the Company and Gadiv sell finished fuel products, intermediate products and aromatic products to its customers in Israel[3] (including Carmel Olefins) and abroad.

For details regarding refinement operations, see Section 1.7 below.

1.2.2 **Polymers Segment:** As part of its polymer activity, the Company is engaged, through Carmel Olefins Ltd., a private company wholly owned by the Company, and via a private company wholly-owned (indirectly) by Carmel Olefins, which is registered and operates in the Netherlands, in the production of polyethylene and polypropylene, which are the principal raw materials in the plastics industry as well as in mechanical recycling through Carmel Eco.

For a description of the activities of Carmel Olefins, Ducor and Carmel Eco, see Section 1.8 below.

1.2.3 **Investment in Oil Asset Segment**:[4] During the reporting year, the Company entered into binding investment agreements – through Energil LLC, a wholly owned US special-purpose entity – with Cantium Management LLC and the corporations under its control (hereinafter – "**Cantium**"). Cantium, which was founded in 2016, is a privately-owned US corporation whose main activity is production and operation of shallow-water oil and gas assets in the Gulf of America, located near the Louisiana coastline, in the US.

[3] In this context, it should be noted that the Company also provides its customers with storage and distribution services for to some of the products sold by it.

[4] As defined in Section 19A(b) to the First Addendum to the Securities Regulations (Details of a Prospectus and Draft Prospectus - Structure and Form), 1969.

The investment is made through a special-purpose partnership (Cantium Energy LP) (hereinafter - "**Acquisition Partnership**"), which acquired a 100% ownership stake in Cantium. The Company, (through Energil, holds approx. 52% of the equity interests in the Acquisition Partnership, alongside additional rights granted to it by virtue of its being a strategic investor.

For a description of Cantium's activity, see Section 1.10 below.

1.2.4 **<u>Additional activities ("Others")</u>**: The Company is involved, inter alia, in trade activities that do not constitute an operating segment in its financial statements, which mainly includes leasing of tankers for maritime shipping of fuel products, which is performed by the companies ORL Trading and ORL Shipping, privately-held companies that are wholly owned by the Company (hereinafter - the "**Trade Activity**"). For further details, see Section 1.9 below.

In addition, the Company has investees that are engaged in additional activities that are immaterial to the Company.

1.2.5 The Refining and Polymers operating segments, executed by the Company and the subsidiaries, are integrated (see Section 1.7.1.3 below), and these two operating segments combined with additional activities (others) constitute most of the Bazan Group's activity, which operates under central control of the Company's headquarters. This structure of the Group and the concentration of its plants in a single geographic region (except for Ducor and Carmel Eco) and being physically connected, yield significant benefits, including, among other things, maximum utilization of raw materials, such that the by-products of one of the plants are used as the raw material of another, and maximizing the added value of the joint activity (by optimizing production, procurement, inputs and joint headquarter services).

The head office's services include: Safety, environmental protection, security, overall quality, finance and accounting services, IT, human resources services, operation of production planning optimization systems, procurement, engagements and legal services. In addition, the Company purchases for Group companies operating in the Bazan compound in Haifa various inputs such as natural gas, electricity and more.

1.3 **Investments in the Company's Equity and Transactions in Company Shares**

No investments in the Company's equity have taken place during the past two years, except as detailed below:

1.3.1 During 2024-2025, the Company's officers exercised 24,833,333 options, which in accordance with the "net exercise" mechanism were converted into 4,311,707 shares.

1.3.2 During 2024-2025, the Company's officers sold 3,627,123 shares, as detailed in the Company's reports dated March 18, 2025, October 9, 2025, October 16, 2025, November 25, 2025 and December 10, 2025 (Ref. Nos., respectively: 2025-01-017924, 2025-01-074456, 2025-01-075684, 2025-01-091827, 2025-01-098271 and 2025-01-098569).

1.3.3 For further details regarding the Company's equity, see Note 21 to the Consolidated Financial Statements. For details regarding the Company's share buyback, see Section 1.4.2 below and Note 21C to the Consolidated Financial Statements.

1.4 **Dividend distribution**

1.4.1 On March 11, 2025, the Company's board of directors resolved to revise the dividend distribution policy dated November 7, 2021, as from the financial statements for 2024 onwards. For details regarding the dividend distribution policy, see the Company's immediate report dated March 11, 2025 (Ref. No.: 2025-01-016284), included herein by way of reference, as well as Note 21C to the Consolidated Financial Statements, including with respect to the dividend distribution policy dated November 7, 2021.

1.4.2 In the reporting year and last year the Company distributed dividends as follows:

Distribution date[5]	**Type of distribution**	**Total**
March 13, 2024	In cash	USD 144 million
August 25, 2024	In cash	USD 30 million
August 25, 2024	Share buyback	USD 5 million
March 11, 2025	In cash	USD 50 million

For further details regarding the buyback plan under which the shares were purchased as stated in the above table, see Note 21C to the Consolidated Financial Statements.

[5] Approval date by the Board of Directors.

On March 25, 2026, the Company's Board of Directors approved the distribution of a dividend in the amount of USD 35 million, based on the Company's Consolidated Financial Statements.

1.4.3 The corporation's retained earnings as at December 31, 2025, as defined in Section 302 to the Companies Law, 1999 (hereinafter - the "**Companies Law**") was approx. USD 911 million.

1.4.4 For details regarding the financial covenants which may restrict the distribution of dividends by the Company, and conditions for distributing dividends as set forth in the Company's agreements with banking corporations, see Note 13 to the Consolidated Financial Statements. For details regarding financial covenants and conditions for distributing dividends that the Company undertook towards debenture holders, see Note 14 to the Consolidated Financial Statements.

1.5 Financial information regarding the Company's areas of activity

2025						
	Refining	**Polymers**	**Investment in Oil Asset[1]**	**Others[2]**	**Adjust ments**	**Total**
	In USD millions					
Total revenues from external sources						
Revenues in Israel	4,005	249	-	-	-	4,254
Revenue from other countries	1,212	355	150	20	(150)	1,587
Total revenues from external sources	**5,217**	**604**	**150**	**20**	**(150)**	**5,841**
Total inter-segment revenues (in Israel)	**195**	**1**	**-**	**22**	**(218)**	**-**
Total revenues	**5,412**	**605**	**150**	**42**	**(368)**	**5,841**
Costs for operating segment – external sources						
Variable - raw materials	4,576	160	2	-	(2)	4,736
Variable - other	341	155	37	17	(37)	513
Fixed	241	150	27	1	(27)	392
Depreciation expenses	122	47	45	27	(45)	196
Total	**5,280**	**512**	**111**	**45**	**(111)**	**5,837**
Costs for area of activity – inter-segment costs						
Variable - raw materials	22	196	-	-	(218)	-
Revenues from loss of income insurance	**133**	**27**	**-**	**-**	**-**	**160**
Operating profit (loss) in the segments	**243**	**(76)**	**39**	**(3)**	**(39)**	**164**
Other expenses, net	-	-	-	-	(18)	(18)
Operating profit (loss) attributable to the Company's shareholders	**243**	**(76)**	**39**	**(3)**	**(57)**	**146**
Total assets attributable to area of activity	**3,431**	**924**	**709**	**66**	**(680)**	**4,450**
Total liabilities attributable to area of activity	**2,475**	**235**	**485**	**93**	**(584)**	**2,704**

(1) For the five-month period ended December 31, 2025. The results of the Investment in Oil Asset Segment are presented on a 100% basis and are canceled as adjustments. Company's share in the segment's results is included in the financial statements under the Company's share in the profits of associates line item.

(2) "Others" includes the Trade Activity as set forth in Section 1.2.4 above and Section 1.9 below.

For explanations concerning the developments in the above financial data, see the Board of Directors' explanations in Chapter 2 to the Report of the Board of Directors.

2024					
	Refining	**Polymers**	**Others[1]**	**Adjustments**	**Total**
	In USD millions				
Total revenues from external sources					
Revenues in Israel	4,623	322	-	-	4,945
Revenue from other countries	2,104	484	9	-	2,597
Total revenues from external sources	**6,727**	**806**	**9**	**-**	**7,542**
Total inter-segment revenues (in Israel)	**307**	**1**	**29**	**(337)**	**-**
Total revenues	**7,034**	**807**	**38**	**(337)**	**7,542**
Costs for operating segment – external sources					
Variable - raw materials	5,968	145	-	-	6,113
Variable - other	425	194	13	-	632
Fixed	241	152	1	-	394
Depreciation expenses	104	48	19	-	171
Total	**6,738**	**539**	**33**	**-**	**7,310**
Costs for area of activity – inter-segment costs					
Variable - raw materials	30	307	-	(337)	-
Operating profit (loss) in the segments	**266**	**(39)**	**5**	**-**	**232**
Other expenses, net	-	-	-	(8)	(8)
Operating profit (loss) attributable to the Company's shareholders	**266**	**(39)**	**5**	**(8)**	**224**
Total assets attributable to area of activity	**3,315**	**1,098**	**75**	**(36)**	**4,452**
Total liabilities attributable to area of activity	**2,476**	**251**	**89**	**(128)**	**2,688**

(1) "Others" includes the Trade Activity as set forth in Section 1.2.4 above and Section 1.9 below.

For explanations concerning the developments in the above financial data, see the Board of Directors' explanations in Chapter 2 to the Report of the Board of Directors.

2023					
	Refining	**Polymers**	**Others[(1)]**	**Adjustments**	**Total**
	In USD millions				
Total revenues from external sources					
Revenues in Israel	5,000	238	-	-	5,238
Revenue from other countries	2,515	543	28	-	3,086
Total revenues from external sources	**7,515**	**781**	**28**	**-**	**8,324**
Total inter-segment revenues (in Israel)	**264**	**1**	**13**	**(278)**	**-**
Total revenues	**7,779**	**782**	**41**	**(278)**	**8,324**
Costs for operating segment – external sources					
Variable - raw materials	6,308	208	-	-	6,516
Variable - other	467	182	15	-	664
Fixed	244	145	1	-	390
Depreciation expenses	97	47	18	-	162
Total	**7,116**	**582**	**34**	**-**	**7,732**
Costs for area of activity – inter-segment costs					
Variable - raw materials	15	264	-	(279)	-
Operating profit (loss) in the segments	**648**	**(64)**	**7**	**1**	**592**
Other expenses, net	-	-	-	(19)	(19)
Operating profit (loss) attributable to the Company's shareholders	**648**	**(64)**	**7**	**(18)**	**573**
Total assets attributable to area of activity	**3,475**	**1,086**	**72**	**24**	**4,657**
Total liabilities attributable to area of activity	**2,587**	**205**	**86**	**(78)**	**2,800**

(1) "Others" includes the Trade Activity as set forth in Section 1.2.4 above and Section 1.9 below.

1.6 Economic environment and impact of external factors on the corporation's activity

1.6.1 General

The Bazan Group is affected by events, developments and trends in the domestic and global energy sectors, as well as by developments in domestic and/or global macroeconomic factors - including the interest rates, the inflation rates, exchange rates, the state of the domestic and global economy, geopolitical and security developments and extensive regulations that cover various aspects of the Group's activities, as detailed below.

1.6.2 Changes in crude oil prices, petroleum products prices and the refining margins

The Group's operating results are derived mainly from the refining and petrochemical margins, which reflect the difference between the revenues from the sale of the product mix sold by the Group and the cost of the raw materials and energy required to produce them. Over the years, the global oil market, especially refining operations, experienced significant fluctuations in product prices and raw material costs (causing margin fluctuations), as a result of geopolitical events, macroeconomic events, such as changes in demand and supply of crude oil and petroleum products across the world, wars, changes in foreign currency exchange rates, etc. - events and changes that are mostly unpredictable. For more information about fluctuations in crude oil prices, the refining margins and petroleum products prices, see Section 1.7.2.2 below.

1.6.3 The security and geopolitical situation

1.6.3.1 Geopolitical and security developments across the world and in Israel have a direct effect on petroleum distillates prices and crude oil prices, and consequently they also affect the Group's operating results, whether due to crude oil shortages or due to trade and transportation restrictions in connection therewith.

1.6.3.2 The geopolitical situation in the region, and in particular the direct combat between Israel and its enemies, leads to ongoing uncertainty and instability. These conditions impact, from time to time, economic activity in the market, supply chains and infrastructure, transport and insurance costs, and may also affect the volume and mix of demand for the Group's products and the manner in which its facilities are operated.

1.6.3.3 Shortly after the outbreak of the Iron Swords War, the Company was issued an order under the Control of Commodities and Services Law, 1957, regarding the manner of operating the refinery, as a result of which periodic maintenance of the main refining unit was postponed and subsequently performed in the second quarter of 2024.

1.6.3.4 As a result of missile attacks in June 2025 during Operation Rising Lion, the Energy Center - which produces a substantial share of the steam and electricity used by the Group's Facilities - was directly damaged in addition to other damage sustained - certain pipelines and transmission lines between facilities in the Bazan compound in Haifa Bay (hereinafter - the "**Bazan Compound**") were also damaged, and all of the refining facilities and the facilities of the subsidiaries in the Bazan Compound (hereinafter - the "**Group's Facilities**") were shut down. In these attacks, three Company employees were killed.

Immediately after the strike, the Company began to implement an orderly work plan with the aim to gradually reactivating all the Group's Facilities, which will allow the Group's Facilities to resume production at full capacity. As at the report approval date, except for the power generation turbines, the Company has reactivated the steam facilities at full capacity, allowing the Group's facilities to operate in full with sufficient redundancy. The Company is pursuing the completion of the steam system in order to achieve full redundancy.

The Company is working with the Compensation Fund (by virtue of the Property Tax and Compensation Fund Law, 1961) to exercise its rights and receive advance payments with respect to the direct damage it has sustained. On July 16, 2025, an advance totaling NIS 160 million (approx. USD 48 million) was received. The Company is working to receive additional advance payments, concurrently with the progress of the restoration work and incurring additional expenses. As at the report approval date, the Company estimates the direct damage at approx. USD 150-200 million, depending on the Energy Center's full restoration costs.

During the attack, the Company had in place insurance coverage against consequential damage (loss of income) resulting from terror acts and war of up to USD 250 million (hereinafter - "**Total Coverage for Loss of Income**") for an indemnity period of up to 30 months and a 30-day deductible (which ended on July 13, 2025). The Company filed a claim for the period commencing from the end of the deductible period to December 31, 2025 on the basis of its assessment of the extent of indirect damage sustained during this period, totaling approx. USD 218 million. Out of the claimed amount, during the reporting period, revenues from loss of income insurance totaled approx. USD 160 million (before tax) based on the rate of advances determined by the insurers. As at the report approval date, the Company received USD 155 million (USD 123 million of this amount was received during the reporting period). As at the report approval date, the Company expects the loss of income (net of the deductible period) to amount to within the limits of the insurance coverage for loss of income.

With respect to the restoration of the damage sustained, on July 13, 2025, the Company received the Minister of the Interior's Order issued under the Construction Law, 1965 (hereinafter - the "**Order**") (which was issued further to the recommendation of the National Planning and Construction Committee) (hereinafter - the "**Committee**"), which stipulates that the construction of buildings, facilities and steam boilers whose construction or deployment is required in order to replace buildings and facilities of the Company damaged by missiles in Operation Rising Lion, the works directly required for this purpose and the use thereof are temporarily exempt from a permit under Chapter E to the Planning and Construction Law as detailed in the Order. The Order's implementation is subject to the terms and conditions set out therein and in the Planning and Construction Law, the principal of which is obtaining the government's authorization to execute the works as detailed in the Order received on July 14, 2025. On November 20, 2025, the Prime Minister signed an amendment to the Order (issued following the Committee's recommendation dated September 30, 2025), which supplements the Order by a temporary exemption from a permit under the Planning and Construction Law in connection with the construction of gas turbines it needs in order to generate electricity, in lieu of the turbines destroyed in the missile strikes (hereinafter - the "**Amended Order**"). The Amended Order's implementation is subject to the terms and conditions set out therein and in the Planning and Construction Law.

In December 2025, two petitions for an order nisi and a motion for an interim injunction - filed with the High Court of Justice by the Haifa Municipality and by Green Course, Zalul Environmental Association et al., against a series of respondents including the Company - were served upon the Company, and the hearing of which was consolidated (hereinafter - the "**Petitions**"). The petitions request the court to issue an order nisi to revoke the Amended Order, or, alternatively, suspend it and remand it to the competent government agencies for further discussion thereof; the petition also requests the issuance of an interim injunction to immediately suspend any action, which may advance the implementation of the Amended Order and the work carried out pursuant thereto until their conclusion. The Company filed its response to these petitions with the High Court of Justice, within which it sought to have them dismissed.

Throughout the period of warfare – including after the missile strikes on the Company's facilities – the Company continued its ongoing operations, while prioritizing the needs of the State in coordination with the relevant government authorities, primarily the supply of fuels for power generation and various fuels for the defense establishment, alongside the continued supply of fuels to its customers, which served to emphasize the Company's criticality to the economy and its importance.

There is still significant uncertainty regarding security developments and their implications, including in connection with additional military operations and their scope, and therefore the extent of the future impact on the Group's operations and results cannot be assessed.

It is noted that the operation of the Group's Facilities after an abrupt halt in general, and after a halt due to an external damage to the facilities in particular, is a complex process, which includes numerous elements of uncertainty and requires extra care and operational flexibility, alongside, among other things, strict adherence to safety provisions and to statutory provisions with respect to environmental protection. The Company's abovementioned assessments regarding the completion of the steam facilities, ability to finance the Work Plan, scope of damage, insurance payouts, and coverage of the damage caused to the Company constitute forward-looking information as defined by the Securities Law, and as such are uncertain and may not materialize, in whole or in part, or may materialize differently than expected. The Company's assessment regarding the completion of the steam facilities is based, among other things, on the Work Plan and on procurement and installation of various components. As stated above, the complex process of operating the Group's Facilities includes many elements of uncertainty, including malfunctions and/or damages that may only become apparent when various facilities are operated; the process is also contingent on the procurement and supply of various components, the services of experts (including foreign ones) in various fields and the need for obtaining various approvals, including regulatory approvals (including approval for the turbines' construction), whose materialization is uncertain and is beyond the Company's control. The Company's assessment regarding insurance payouts and coverage of the damage caused to the Company is based on the actual implementation of the Company's plan (whose materialization according to plan is uncertain), the amount of insurance benefits which will be received in practice, the amount of compensation, which will be received in practice in accordance with the Property Tax and Compensation Fund Law, 1961 and the refining margins environment in the relevant period, which are uncertain and beyond the Company's control.

1.6.3.5 In this context, it is also noted that on December 30, 2024, the Company filed an online compensation claim for indirect damage caused to it due to the Iron Swords War, and in accordance with the provisions of Section 35 to the Property Tax and Compensation Fund Law, 1961.

1.6.3.6 For details regarding the Russia-Ukraine war and its effect on the Group's activities, see Note 1D to the Consolidated Financial Statements.

1.6.3.7 In addition, international conflicts may affect the energy markets, the availability of feedstock and intermediate products, and international supply chains, and consequently - the Company's activity.

1.6.3.8 Subsequent to the reporting period, Operation Lion's Roar and the regional developments which arose therefrom led to an increase in geopolitical tensions in the Middle East and adverse effects on energy markets and international trade; crude oil and energy products prices spiked sharply; major shipping routes used to transport oil and oil products - including the Persian Gulf and the Strait of Hormuz - through which a substantial share of the global oil trade passes, have been disrupted, which increased uncertainty with respect to the use of marine transportation routes. Alongside the risks associated with these tensions, as at the report publication date, the business environment in which the Company operates - both in the Refining Segment and in the Investment in Oil Asset Segment - has strengthened substantially. For further details, see also Section 1.24.3.1 below.

1.6.3.9 As a result of the missile strikes on northern Israel on March 19, 2026 under Operation Lion's Roar, localized damage was caused at the Group's compound in the Haifa Bay with no injuries or casualties. In addition, external infrastructure owned by a third party, which is essential for the Group's activity, was damaged.

Immediately following the strike, dedicated teams were established to plan and implement the actions required to fully restore production, in coordination with Israel Electric Corporation Ltd. and the affected external utility company.

As at the report approval date, the damaged external infrastructure has been restored, most of the Group's production facilities are operational, and a gradual restoration of production in the remaining production facilities - and reinstatement of optimal production capacity - is expected in the forthcoming days.

According to an initial assessment by the Company, the direct damage sustained by the Company's facilities is negligible. The Company has begun to work with representatives of the Government Compensation Fund. In addition, the Company estimates that the damage will be repaired within several days and accordingly estimates that the loss of income will amount to an immaterial amount (for details regarding the Company's insurance policies covering terrorism and war damage, see Section 1.20.2 below).

The Company's above assessments regarding the date on which production will be fully restored as well as the scope of the damage, constitute forward-looking information, as defined by the Securities Law, 1968 - and as such are uncertain and may not materialize, in whole or in part, or may materialize differently than expected. The Company's above assessments regarding the date on which production will be fully restored is based, among other things, on past experience, various operational tests, surveys in and around the compound and around major facilities and on the activity of the various facilities subsequent to the strike (including external infrastructure serving the Group's facilities). It is clarified that full detection of all possible damages and full operation and reactivation of the damaged infrastructure and facilities, are complex procedures that include multiple elements of uncertainty and which require exercising extra caution and operational flexibility in addition to, among other things, ensuring compliance with the safety provisions and the provisions of the law with respect to the environment, including malfunctions and/or injuries which may become apparent only when various facilities are reactivated, as well as dependence on the availability of spare parts, equipment and relevant professional personnel, whose materialization and availability is uncertain and is not under the Company's control. The Company's assessment of the extent of the damage sustained by the Company is based on the field tests conducted to date, on the date on which production is fully restored to optimal production outputs as stated (whose materialization according to plan is uncertain) and on the refining margins environment prevalent in the relevant period, which are uncertain and are not under the Company's control.

1.6.4 Interest rate fluctuations

For information about the potential effects of changes in interest rates on the Group's finance costs, see Section 1.24.2.6 below.

1.6.5 Changes in exchange rates

For information about potential effects of changes in the exchange rates of the various currencies on sales, current cost, investments denominated in foreign currency and debentures issued by the Company, see Section 1.24.2.5 below and Note 30C to the Consolidated Financial Statements.

1.6.6 Effects of an economic slowdown or recession in the domestic market

For information about the potential effects of an economic slowdown or a recession in the domestic market on the Group's revenues' see Section 1.24.2.2 below.

1.6.7 Regulation

1.6.7.1 Due to the Group's prominent position in the Israeli energy sector, and its environmental footprint, it is subject to tight regulation in multiple areas, including: Competition, price control, environmental protection, security and information security, protection of essential interests of the state, workplace safety, etc.

1.6.7.2 This extensive regulation, Government Resolution No. 1231 (in terms of the government's desire to evacuate the Company's facilities from the Haifa Bay as mentioned below and as detailed in the Consolidated Financial Statements) and NOP 75, which is promoted under the abovementioned resolution, may have an effect on the Group's ability to act without constraints, on the actual operation of the Group's facilities, and on the considerations taken into account in its business activity; they may even involve substantial costs arising from actions taken by the Group to comply with the regulatory requirements and the consequences of the effects of Government Resolution 1231. As stated in Note 20C to the Consolidated Financial Statements, various alternatives are discussed under the negotiations regarding the implementation of the Government Resolution, taking into account the importance of the Company's activity to the Israeli energy sector during normal times and even more so at times of emergency. During the 2nd quarter of 2025, various media publications addressed the formulation of a new plan to relocate the Group's plants to the Negev. The Company welcomes the Ministry of Energy and Infrastructures' recognition of the importance of retaining all of the Bazan Group's capabilities and its acknowledgement that the import-based alternative does not adequately meet the requirements of the Israel energy sector. The Company will continue to stand up for its rights and for the rights of its stakeholders, including employees, suppliers and customers, debtors, and shareholders.

For further details, see Sections 1.18 and 1.19 below and Note 20C to the consolidated financial statements regarding Government Resolution 1231 and the development of the Haifa Bay.

1.6.7.3 In June 2022 the European Parliament approved the legislation regarding Carbon Border Adjustment Mechanism in Europe (hereinafter - "**CBAM**"), aiming to regulate carbon taxation adjustment mechanisms in Europe; according to the legislation, various products imported into EU countries will be taxed in accordance with the carbon footprint generated in their production process. In accordance with this legislation, the reporting requirement was first applied in the fourth quarter of 2023, and the tax will be applicable as from 2026. In May 2023, an appendix was published comprising the list of products that fall within the scope of the legislation. According to this appendix, Group companies' products imported into EU countries are not included in the said list. In that context, it should be noted that the European Union is due to review the list of products, which will include additional polymers and chemicals; a date for the said review has yet to be determined. As at the approval date of the financial statements - and noting the expected re-evaluation of the list of products as stated above - it is impossible to assess whether the Group's activity will be impacted.

1.6.7.4 In Israel, the pricing of emissions from local pollutants and greenhouse gases was approved by amending the Excise Tax on Fuel Ordinance (hereinafter - the "**Carbon Tax**"), came into force on January 1, 2025. For further details, see Section 1.18.3.1.5 below.

1.6.7.5 The Company is making preparations to cope with those changes and has also begun to engage in the field of alternative fuels, with an emphasis on hydrogen-powered vehicles, and addressing the changing needs of all of its customers, while performing sustainability-oriented activities, reducing its carbon emissions and streamlining and improving the refining processes.

1.6.7.6 In 2025, the European Union continued to promote the Corporate Sustainability Reporting Directive (CSRD), while at the same time measures were promoted to reduce regulatory loads, including the postponement of CSRD application dates and an update of the European Sustainability Reporting Standards (ESRS) in a reduced format. These moves are designed to make the process easier for the reported companies and improve the application of the requirements in practice. The Company is both monitoring and preparing for developments, while examining the scope of applicability and the dates relevant to its activities in Europe and Israel. In addition to the above, use of the ISSB's Sustainability Reporting Standards (IFRS S1/S2) continues to gain momentum in various countries around the world, but they are not currently mandatory in Israel.

1.6.8 Changes in customer preferences in connection, among other things, with environmental protection

The climate crisis and the increase in awareness of its effects, as well as the environmental effects of using fossil fuels and non-recyclable materials, cause changes in preferences of some end customers of the Group's customers and in their willingness to purchase its products. This change is reflected, among other things, in a transition to electric vehicles, with the introduction of electric or hybrid vehicles, and the introduction of fuel substitutes originating from renewable sources, such as ethanol, hydrogen and biodiesel (which do not originate from fossil fuels). This change may be accompanied by restrictive laws and the provision of incentives, which may increase the said decline in demand for the Group's products. In addition, it is noted that there is a growing awareness of the pollution caused by plastic waste has been on the rise, and consequently there is a desire to reduce the use of plastic and increase the use of recyclable plastics. This trend may be accompanied by legislation that encourages the reduction of the use of plastics. Over time, these changes may result in a decline in the Group's revenues, if it fails to adapt itself to those changes. For further details, see Section 1.24.3.7 below.

Part B – Areas of Activity

1.7 Refining Segment

1.7.1 General

1.7.1.1 The Company operates a refinery in the Haifa Bay, which has been operating since 1939, and through which it refines, separates and processes - from crude oil and intermediate materials - a range of end products such as petroleum distillates and raw materials used to manufacture other products marketed in the domestic market and to export markets, including fuels and aromatics (as described in Section 1.7.14.2 below).

The Company’s facilities in the Refining Segment include various systems (as described in Section 1.7.19 below), whose complexity is rated 11.1 in the Nelson Index (which is an index that measures the complexity of refineries as stated in Section 1.7.19.6 below) and the refining capacity of the refining facilities is approx. 9.8 million tons of crude oil per year.

Production and marketing of fuels is carried out by the Company while production and marketing of the aromatic products are carried out through Gadiv, a private company, which was founded in 1974 and has been wholly owned by the Company since 1994.

1.7.1.2 **The Refining Processes**

The refining of oil is a process that consists of a number of stages, the purpose of which is to separate out the various components in crude oil, and to turn them into useful products such as: gasoline, naphtha, diesel fuel, kerosene, fuel oil, liquefied petroleum gas (LPG) and bitumen. Refining is carried out at high temperatures (up to approx. 500°C) and at high pressures (up to approx. 180 atmospheres). In some processes, catalysts are used to speed up the chemical reaction of cracking or reforming of intermediate materials.

There are four main production processes:

Separation by distillation - processes that result in groups of products, according to the differences in their boiling points.

The refining of crude oil leaves an unrefined residue that is used to make asphalt and fuel oil or are sent to the cracking facilities.

Cracking and reformation - which alter the chemical composition of some of the materials separated out, so as to give rise to products of a higher added value.

Refining - a finishing-off process, the purpose of which is to decontaminate and cleanse the products of the separation processes, and to improve the qualities of such (such as reduction of sulfur content).

Finishing - the products undergo finishing, in order to meet the requisite parameters.

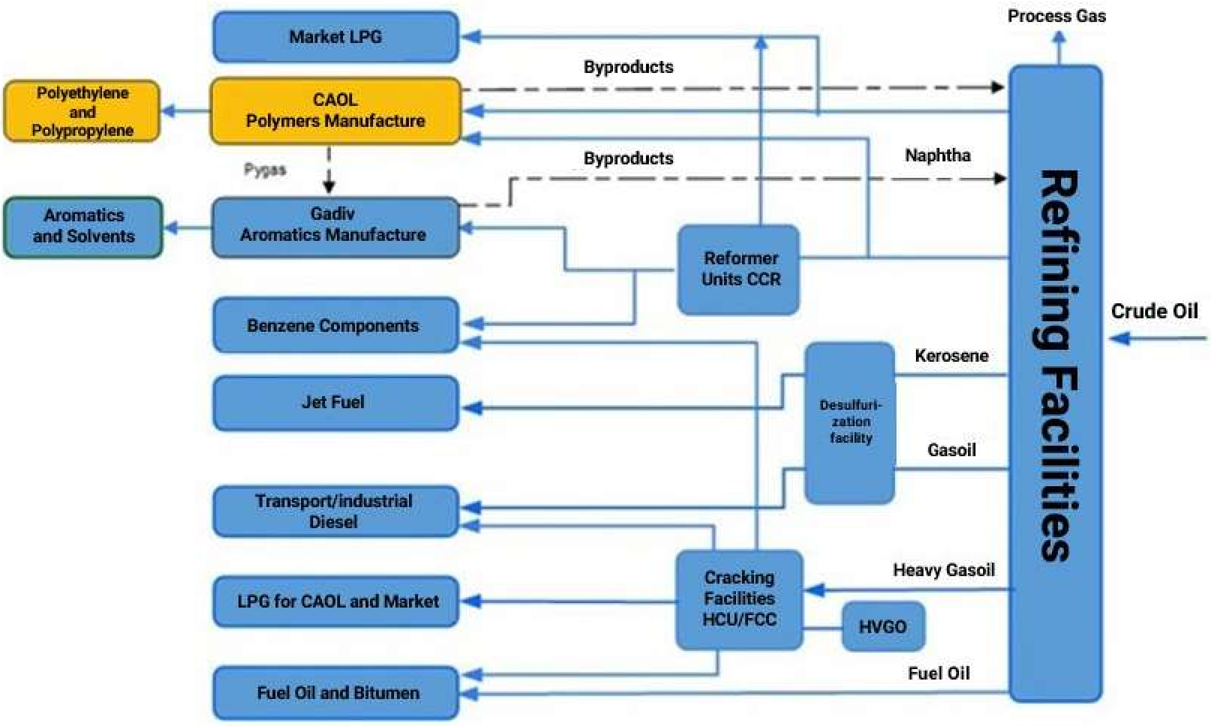
As mentioned above, the Company's refining operations are carried out at the Haifa refinery. The Company sells intermediate materials produced at its plants but not processed into end products at the plants of the Company and its subsidiaries, in quantities that are immaterial relative to its entire activity. Intermediate materials required by the Company and/or subsidiaries, which are not supplied by the Company's own refinery facilities, may be purchased from foreign suppliers and/or from ORA. The facilities' operating regime as part of the refining activity aims to modify the crude refining facilities in order to reduce the refinery residue and increase the volume of intermediate products, which enable the production of high added value products, improving the Company's ability to mix various intermediate components and products, which allows its to produce a range of products in compliance with the required standards and to adapt and diversify the types of crude oil it processes.

1.7.1.3 **Downstream processes**

In addition, some of the refining products of the Company's refineries are raw materials, which are transferred to be used by Carmel Olefins and Gadiv.

The Carmel Olefins and Gadiv plants in Israel are downstream facilities of the Company and receive most or all of the required feedstock from the Company on an ongoing basis through pipelines and return all or part of the products of their facilities to the Company, as well as the feedstock not used in their operations. The Group's refining operations are integrated with its polymers operations in Israel, enabling the Group Companies to manufacture - continuously and efficiently, while maximizing the utilization of raw materials - the products they market, in accordance with the required standards and specifications.

The following is a diagram that illustrates the integration between the various operations of the Group:



The integration and synergy between the facilities and the various areas of activity leads to an increase in the aggregate margins flowing to the Group from all of its areas of activity and under certain circumstances - moderation in fluctuations of the profitability of the Group, since the business turnovers in the Company and the subsidiaries' areas of activity do not necessarily overlap.

The Companies (Bazan. Carmel Olefins and Gadiv) have operated jointly in their various areas of activity: overall production planning is carried out by the optimization unit in a way that is intended to maximize the added value over the activities of the Companies, starting from the purchasing of crude oil up to the production of fuel and aromatics products, as well as polymers products.

In order to optimize decision-making with respect to determining the types of crude oil and intermediate products to be purchased by the Company and the composition of the products to be produced by it, the Company, among other things, uses a computerized system of linear planning based on a multiple-variable mathematical model which takes into account commercial data such as: prices of various kinds of crude oil and intermediate materials and prices of the various products produced by the companies (prices of various oil and aromatics products, prices of polymers), market demand, and technical data relating to the production capacity and availability of the Companies' facilities in light of demand in markets of activity.

The model recommends production functions (the mix of crude oil and intermediate products, and the mix of products produced using it) that maximize the Group's profitability. This system is used by the Company both for its ongoing operations and for the purpose of long-term future planning.

In addition, the Companies are working continuously to identify and apply opportunities for further synergies through projects which integrate materials and processes from their plants. In this context, projects were executed, inter alia, for the utilization of process gases produced by other facilities, including the downstream facilities, as raw materials in Carmel Olefins, and the companies are constantly examining possibilities for new projects.

1.7.2 **<u>Structure of the operating segment and changes therein</u>**

1.7.2.1 The fuels industry in Israel

The fuels industry in Israel includes a number of subsegments:

1.7.2.1.1 **Offloading and storage of crude oil and loading of distillates for export -** the offloading of crude oil and distillates and the loading of distillates for export is carried out in the sea ports: Haifa, Ashdod, Ashkelon and Eilat. As to the crude oil, after its is offloading at the port, it is pumped to the premises of the refineries, among other things, through pipelines owned by the EAPC and/or Energy Infrastructures.[6] Until such time when it is pumped as described above, the crude oil is stored in terminals in the area of the offloading ports, which are operated by Energy Infrastructures and EAPC, and thereafter in the refineries themselves.

1.7.2.1.2 **Refining of oil** - There are two refineries operating in Israel and competing with one another - the Company's refinery, which is located at the Haifa Bay, and the second refinery, which is located in Ashdod and owned by Oil Refinery Ashdod. This refinery was previously part of the Company and was split therefrom in 2006 and transferred to Paz; to the best of the Company's knowledge, in August 2023 and according to ORA's publications, the listing of ORA's shares on the TASE was completed as a company without a controlling core.

1.7.2.1.3 **Transmission, storage and distribution of petroleum products** - the petroleum products which are manufactured by the refineries, as stated above, are piped and transmitted from the refineries through a national distillates pipeline, which is mainly owned by OPP to the Pi Gliloth fuel terminals, to Energy Infrastructures' terminals and to the storage facilities and terminals of the various fuel companies, and they are stored (in addition to storage in the refineries themselves) mainly in the terminals of Energy Infrastructures, EAPC, Pi Gliloth, terminals of the fuel companies, and more. From there and the refineries, the petroleum products are distributed to the gas stations using road tankers.

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[6] For details regarding the court ruling and a compromise outline agreed upon thereafter with respect to tankers and buildings used by Energy Infrastructures for the provision of the services it renders to the Company for the importation, storage and piping of crude oil, see Sections 1.7.20.10 and 1.7.20.11 below and for details regarding a summons for a hearing issued by the Haifa municipality and its results, see Section 1.7.20.12 below.

1.7.2.1.4 **Regulation of the fuels industry** - the fuels industry is subject to government regulation, which includes the operating licensing of infrastructures; product supply; price control over certain petroleum products and public utility services (offloading, storage, distribution, and pumping); and environmental protection. For further details regarding the regulation of the Group's activity, see Section 1.19 below.

1.7.2.2 **<u>Factors affecting the industry</u>**

1.7.2.2.1 **<u>The global oil market - general</u>**

The various kinds of crude oil and refined products, as well as some of the products produced by the subsidiaries, are traded as commodities, the prices of which are set in sophisticated international markets and the majority of which are quoted on various commodities exchanges around the world; the Company and its subsidiaries have no influence over the international price. The purchase prices of crude oil paid by the Company are set on the basis of international prices, with adjustments for each individual transaction and to the extent possible, identification of spot opportunities in order to reduce costs. The prices for the sale of fuel products and aromatics products, by the Companies to its customers are set based on international prices, with adjustments based on the specifics of each transaction, while identifying opportunities and needs in the active markets in order to maximize value. The prices for marine transportation of crude oil, refined products and petrochemical products, which are paid for by the Companies, are also fixed on the basis of international prices. As part of the ramifications and effects of the Iron Swords War, the Company incurred additional costs due to the difficulties in transporting raw materials and distillates to and from Israel. As noted, the Companies have no influence over international prices and the price of concrete transitions are fixed, with adjustments based on the transaction details and opportunities identified.

1.7.2.2.2 **Refining margin**

The refining margin is the major factor affecting the operating results in the operating segment (in addition to the utilization of the production facilities). The key factors which affect the Company's refining margin are the margins in the international markets.

Global prices of crude oil and distillates are highly volatile and are set, inter alia, by global supply and demand, and are also affected by geopolitical and other events which are not directly related to the production of oil but which are viewed by the markets as having a potential impact on future production, as well as the extremely large scope of global trade in futures and derivatives, which do not necessarily or consistently reflect the actual market for crude oil and its products. The level of the refining margin is mostly dictated by market forces acting on two different planes: one, supply and demand of crude oil and trade in futures and derivatives, and the other, supply and demand of end products. For details regarding the business environment, which affected the Company's operations, see Section B in Chapter 1 of the Report of the Board of Directors.

1.7.2.2.3 **<u>Factors and trends that affect supply and demand for crude oil</u>**

Crude oil is a commodity the prices of which are set by weighted global markets.

The supply of crude oil is first and foremost influenced by the existence and location of oil fields underground, or under the seabed, including the residual cost for oil production, which varies from field to field. It is noted that, in view of the development of new discovery and production methods of shale gas and shale oil fields, technology has also been developed for producing gas and oil from shale.

In addition, the supply of crude oil depends on a very large number of factors, such as the ability to extract crude oil and pump it from the oil fields to ports, the assessments of the fuel producers as to future prices, the ability of the production company to store the fuel produced for long periods of time, international geopolitical events and so forth.

The demand for crude oil is impacted by the demand for petroleum products (see below in Section 1.7.2.2.4) and global refining capacity.

In the long term there may be a downward trend in demand for crude oil due to the trend of minimizing the use of fossil fuels.

During the reporting year, the Brent price was characterized by a mixed trend, trading at approx. USD 60 to USD 83 per barrel. For details regarding crude oil prices in the reporting year and the factors which affected the Brent price, see Section B to Chapter 1 to the Report of the Board of Directors.

1.7.2.2.4 **Factors and trends that affect the supply and demand of fuel products**

The supply of fuel products - aside from the supply of crude oil - is mainly influenced by the global refining capacity (which is approx. 105 million barrels per day), which dictates the global supply ceiling for end products and varies in accordance with changes which occur from time to time in capacities of existing facilities around the world (such as construction of new facilities, closure of refineries, etc.) and due to temporary factors such as malfunctions, refurbishment of facilities, etc.

Demand for refined products is affected, mainly, by the following factors: the rate of growth of the world's largest economies, economic crises and economic prosperity, rises and falls of standards of living, mainly in highly-populated countries, the effect of forestation and developments primarily in developed countries, the price of fuel products, increasing seasonality in cases of extreme weather conditions, improving energy consumption efficiency, alternative energy products coming onto the market (such as natural gas and power not generated using fuel products) and renewable sources.

Furthermore, the demand for transportation fuel products is affected by several global trends aimed at reducing greenhouse gas and pollutant emissions into the environment:

(a) Transition to vehicles powered by alternative energies - the growing use of vehicles powered by electricity, gas, biofuels, or hydrogen, as well as improvements in the efficiency of engines, may reduce transportation fuel consumption. This trend expands with the increase in the number of vehicle models powered by alternative energies and with the decrease in the prices of such vehicles. For further details, see Section 1.7.10.2 below. For details regarding the Group's activity in the field of hydrogen fueling, see Section 1.12.2.9 below.

It is noted that certain cities around the world announced their intention to restrict the use of vehicles powered by fossil fuels. In Israel - government resolutions regarding the development of green and low-carbon transportation were published, according to which, among other things, restrictions will be placed on the importation of private vehicles powered by fossil fuels. In addition, goals have been published for reducing the use of fossil fuels in trucks and buses.

Despite the above, in 2025, the number of electric vehicles purchased in Israel declined and electric vehicles constituted approx. 20% of new vehicles compared to 25% in 2024; concurrently with this trend, there was an increase in the purchase of plug-in hybrid electric vehicles, which are mostly powered by gasoline.[7]

[7] According to the publications of the Central Bureau of Statistics and the Israel Vehicle Importers Association.

(b) Regulation and natural gas - environmental regulation and the introduction of natural gas as a substitute in many places has led to a decrease in demand for petroleum products, especially heavy oil products, primarily fuel oil. In Israel, this regulation (that applies to vessels and plants) requires users to consume natural gas or low-sulfur fuels. The Company produces or takes steps to produce some of the required low-sulfur fuels, by utilizing the complexity and flexibility of its refining facilities and adapting the mix of raw material it uses.

(c) Continuous improvement of the properties of fuel products - the global trend is to improve fuel product properties, such as: reducing sulfur levels and improving combustion qualities, the purpose of which is to burn cleaner materials more efficiently which reduces the burden on the environment in terms of levels of emission of the pollutants generated in the process of combustion of fuel substances. The Company adapts its products mix to supply the required fuels in line with Western standards, which have become stricter over the years. As part of this trend, the Company meets the conditions of the IMO 2020 standard and has even prepared for the revision of the ECA MED fueling standard, according to which, as at May 2025, in the Mediterranean region, which is considered a limited emissions area, and the sulfur content in fuel will be limited to 0.1% for tankers, which have not installed a facility to reduce sulfur oxides emissions.

(d) Production of fuel substitutes from renewable sources - production of transportation fuel components from renewable (plant) resources, such as used cooking oil, can lower the demand for fuel products for transportation. The production of fuel substitutes from renewable sources is primarily regulated by the European Union, where there is an emphasis on the production of diesel and jet fuel according to quantity targets. The regulatory guideline in the European Union applies to a small quantity in 2025, which will gradually increase by 2050. As at the report date, the scope of such operations is negligible. The development of this trend in the future depends, among other things and in addition to the abovementioned, on the prices of the oil products, compared with the alternatives that will be available on the market.

(e) In accordance with international publications,[8] despite the expected increase in the use of alternative fuels, the global demand for distillates produced from oil is expected to reach, in the next decade, an average level similar to the current global demand, due to the stable overall demand for fuel products.

[8] Based on forecasts by S&P Global Commodity Insights (IHS).

(f) On June 16, 2024, the Ministry of Energy and Infrastructures published a strategic study - in cooperation with strategic consulting firm TASC - on the future of the Israeli fuel economy.[9] The study focuses on assessing the situation of the Israeli fuel sector until 2050, beyond the reduced emissions economy, and formulating operative measures to realize the responsibility of the Fuel and Gas Administration. As part of its main working assumptions, the study assumed that distillate production will be discontinued and be replaced by imports due to Bazan's closure.

The study presented a forecast for fuel consumption in Israel until 2050. According to the forecast, in the long term, the consumption of distillates is on the rise – except for gasoline, which is in a significant decline assuming a TASC of e-vehicle penetration at the rate of 100% of new sales in 2037.

The Company regularly reviews the developments in Israel and worldwide in the relevant markets for the products of its operating segments and takes action for the purpose of adapting to such developments.

The Company's estimates of the effect of future global trends, which aim to reduce emission of greenhouse gases and pollutants, including the transition to e-vehicles or alternative-fuel vehicles, regulatory changes, and production of fuel substitutes, on the supply of crude oil and on the demand for the Company's products, is forward-looking information, as defined by the Securities Law, and as such they are uncertain and they may not materialize, in whole or in part, or may materialize in a way that is different than expected. These assessments are based, among other things, on various publications on the subject in Israel and worldwide, on regulatory provisions and various trends regarding this subject both in Israel and worldwide, and on third parties' forecasts as at the date of this report, which may change from time to time, and their materialization is uncertain and is not under the Company's control. Additionally, these estimates may not materialize or may materialize in part, as the rate of technological development of alternative energy and fuel substitutes and their actual use accelerates or slows down, expansion and tightening of regulation in the sector, growing public awareness of the need to reduce greenhouse gas emissions and greater public and private action in the field.

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[9] See the following link:
https://www.gov.il/BlobFolder/reports/fuel-strategy-june-2024/he/fuel-strategy-june-2024.pdf

1.7.2.2.5 **Factors and trends that affect supply and demand for aromatics**

In this area of activity, the Group manufactures a range of aromatics (as described in Section 1.7.14.2 below), which are raw materials used to manufacture other products, used mainly in the textiles, paint, chemistry and plastics industries. These products include benzene, which is Gadiv's key product (which is used as a basic chemical in the manufacturing of a broad variety of products used in day-to-day life, such as polystyrene (used, among other things, to produce styrofoam), polycarbonate (used, among other things, for the production of boards for modular prefabricated construction, etc.), paraxylene, which is a key component in the production of polyester; toluene (which is used to prepare insulation or coating foam); solvents (which are mainly used in the paint and polishes industries) and more. Most aromatics are sold abroad, mainly in Europe and the USA.

1.7.2.2.6 Most of the aromatic products are commodities, the prices of which are set on a competitive supply and demand market. The activity of emerging markets, led by the Chinese market, has in recent years caused an increase in demand for many products that are used in the production of downstream products, and among them aromatic products. As a result, additional plants, which operate in the field of aromatics, are being set up and are expected to be set up worldwide, mainly in Asia, which, if set up, will add considerable production capacity and affect the supply of products.

The Company's assessments regarding the development of demand and supply of aromatics in the global market in general and the effects of emerging markets in this market in particular is forward-looking information, and as such is uncertain and may not materialize, in whole or in part, or may materialize differently than planned. These estimates are based, among other things, on past experience, on information collected by the Company and on the Company's assessments and estimates, as at the Reporting Date, which may change from time to time, and their materialization is uncertain and is not under the Company's control. These assessments may not materialize or may materialize partially, if the macroeconomic and geopolitical measures lead to changes in the developments observed in this segment until now, due to changes in the consumption habits of the consumers of aromatics and due to the other risk factors facing the Company, as specified in Section 1.24 below.

1.7.2.2.7 **<u>Factors and trends affecting the refining margin and their effect on the refining margin and the operating income</u>**

The factors that affect demand and supply for crude oil and fuel products, and refining margins, as reviewed above, give rise to fluctuations and cyclicality in the refining industry's profitability.

For details about the adjusted refining margins of the refining sector in 2025-2024, the changes that occurred and the main reasons for them and the emerging trends at the beginning of 2026, see Chapter 1, Sections A-B and Chapter 2 to the Report of the Board of Directors.

The Company's refining volume includes refining of crude oil and heavy vacuum diesel processing. A change of one USD in the adjusted refining margin is expected to affect the same refining volume (in USD millions) as the operating profit and the Company's adjusted EBITDA (for example: the effect of USD 10 million relative to a 10 million barrel refining volume). For details regarding the Company's refining volume during the reporting period and the comparative period, see Section B to Chapter 1 of the Report of the Board of Directors.

1.7.3 **<u>Restrictions, legislation and special constraints that apply to this area of activity</u>**

For details regarding constraints placed on the Company in this area of activity in terms of competition, environmental risks, essential services, and by virtue of other legal requirements, see Sections 1.18 and 1.19 below.

1.7.4 **<u>Changes in the segment's volume of activity and profitability in the reporting period</u>**

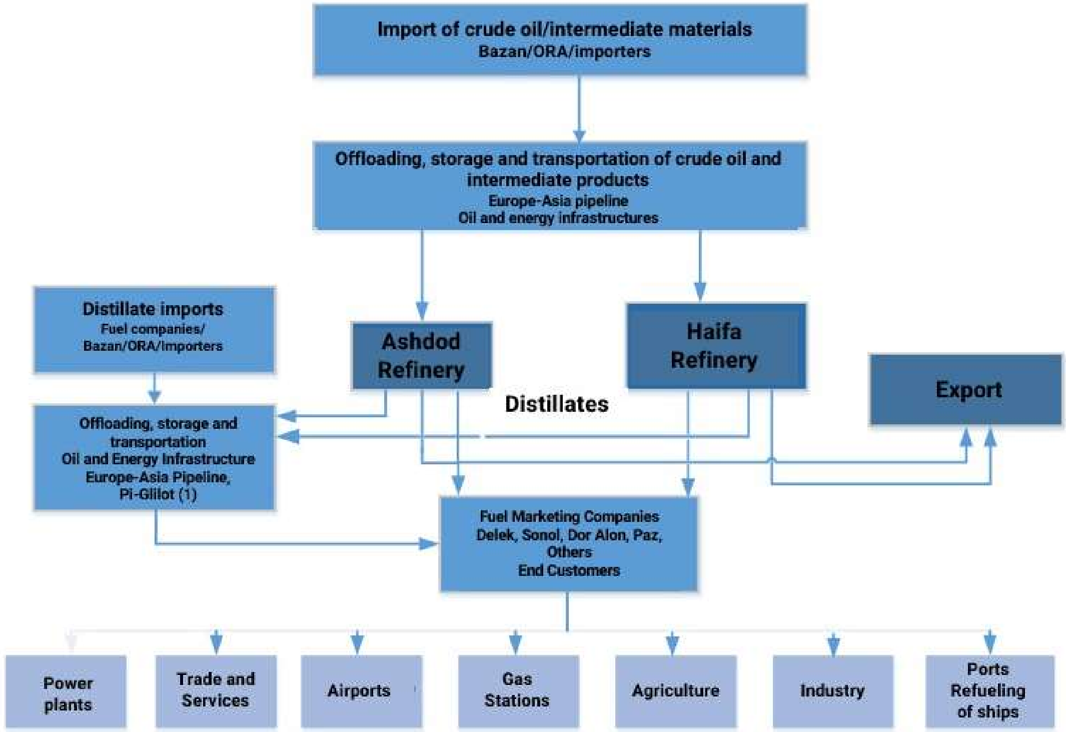
For details regarding changes in the operating segment's volume of activity and profitability, see Chapter 1 Section B to the Report of the Board of Directors.

1.7.5 **<u>Market developments in the operating segment or changes customers' characteristics</u>**

<u>Domestic market for fuel products</u>

Chart describing the structure of the petroleum sector in Israel:

[1] Operated by Gadot Ltd.



It is noted that the above figure describes the structure of the Israeli fuel sector during normal times. During the Iron Swords War, the Company supplied diesel fuel for electricity and distillates production to the IDF both directly or through resellers.

In addition, during the reporting year, the Company was instructed by the Fuel and Gas Administration to purchase fuels by virtue of the Commodities and Services Control Ordinance (Iron Swords War) (Guidance to Fuel Product Suppliers) (Temporary Order), 2025, according to which the Company is required to supplement its fuels inventory for the purpose of regular supply of petroleum products to consumers during the War; provision restricting the export of diesel fuel, gasoline or jet fuel were set. It is noted that immediately prior to the report publication date, the Company received further instructions regarding restrictions on the export of diesel fuel, gasoline or jet fuel.

In the Company's opinion, the local refined product market is part of the Mediterranean market to which frequent changes apply according to the changes in international markets. There are two refineries operating in the domestic market, as well as importers. For details regarding the changes in distillate consumption in the domestic market in 2023-2025, see below as well as Section B, Chapter 1 to the Report of the Board of Directors.

The Company has a monopoly with regard to some of the products it sells, under the Economic Competition Law. For details regarding restrictions applicable to the Company, including in the Refining Segment, see Section 1.19 below.

Breakdown of the Company's figures[(1)] with respect to Israel's domestic consumption of fuel products in 2023-2025 (in thousands of metric tons):

Year	Transport diesel fuel[(2)]	Gasoline	Kerosene (jet fuel)	LPG	Bitumen	Fuel oil	Diesel fuel for heating	Petro-chemical feedstock	Total
2023	3,557	3,403	941	585	292	537	78	989	10,382
2024	3,368	3,440	654	556	289	556	72	1,027	9,962
2025	3,477	3,451	816	572	309	333	141	775	9,875

(1) These figures were taken from Ministry of Energy and Infrastructures publications as published from time to time and do not include military use, emergency stock, and the Company's own consumption.

(2) Consumption of diesel fuel for transportation includes the use of diesel fuel for electricity generation.

For further details regarding changes in oil prices, see Section 1.7.2.2.3 above, and for further details regarding changes in the refining margin, see Section 1.7.2.2.7 above.

1.7.6 **<u>Technological changes that may have a material effect on the area of activity</u>**

Governments, authorities and various corporations in Israel and abroad invest in the development of alternative energy sources to oil and in mitigating the environmental impact of petroleum products. These changes may affect the Company's activity in this field. In addition, given this global trend, the Company is examining the development of alternative energy sources to oil, including hydrogen, which it produces from natural gas in its dedicated facility; it also invests in a technology aimed to minimize its carbon footprint, and to adapt its products such that they comply with its customers' various regulatory requirements.

1.7.7 **Critical success factors in the area of activity and changes thereto**

The critical success factors in the Refining Segment are: operational flexibility and efficiency and a high level of technological ability, access to capital and funding sources, reputation with customers and suppliers, commercial flexibility in the purchase of raw materials, high-quality employees with unique engineering knowledge, the ability to adapt to the changing regulation in the sector, particularly in environmental aspects, as set out below.

Due to these factors, throughout the years, the Company has employed several methods for ensuring its own position among and differentiation from its competitors, including:

1.7.7.1 Developing its reputation as a reliable company, in terms of its commercial relations with suppliers and customers and in the field of product quality and compliance with various standards, while building long-term commercial ties with its suppliers and customers in Israel and abroad.

1.7.7.2 Access to capital and various sources of financing needed for ongoing operating as well as for maintaining the flexibility and ability to adapt operations and the product mix to meet the changing market needs.

1.7.7.3 Operational flexibility for extended periods that allows for diversity in selecting the mix of products produced and adapting them to consumer preferences and regularly changing regulatory requirements.

1.7.7.4 High-level operating capacities combined with a use of state-of-the-art technology, enabling the Company to use diverse types of crude oil (the Company can use a broad range of varying types of crude oil based on their feasibility), the highly efficient and accessible production of diverse refined product mixes based on market demands and changes, short and long term, in the relevant markets, the production of aromatic products based on exclusive methods for optimal energy utilization that lowers the cost of aromatic products production and adherence to stringent quality requirements. For information concerning the Nelson Complexity Index see Section 1.7.19.6 below.

1.7.7.5 Maximum utilization of the synergy between overlapping and complementary operations to increase competitiveness, increase production flexibility to match changes in demand for aromatic products and fuel products (when demand for aromatic products decreases, Gadiv increases the flow of raw materials back to the Company for the production of gasoline and vice versa) and the production of value-added and environmentally friendly products.

1.7.7.6 The use of natural gas as fuel for operating refining facilities and as feedstock in petrochemical processes constitutes a substantial efficiency factor in the Company's activity, including by improving the efficiency of energy consumption and reducing the use of heavy fuels.

1.7.7.7 Maintaining maximum commercial flexibility when purchasing raw materials such that it will be possible to exploit the technological capabilities and business opportunities, based on the changes taking place in the various markets.

1.7.7.8 Continue building capabilities and implementing principles, policies and best practices in environment, social and corporate governance (ESG) aspects with the aim of complying with international standards - to ensure the Company's business continuity - against the background of multiple changes, which include new reporting regulation in Europe and more thorough reporting obligations for the Company and its customers in the future.[10]

1.7.8 **<u>Changes in suppliers and raw materials for the segment</u>**

For information on changes in the purchase patterns of crude oil and intermediate materials in the Refining Segment, see Section 1.7.20 below.

1.7.9 **<u>Principal entry and exit barriers to the Refining Segment, and changes thereto</u>**

In the Company's assessment, the following factors constitute the main entry barriers to the area of activity:

1.7.9.1 The need for sizable capital investments, when the scope of the investment is impacted by, among others, the scope of production and requisite production quality.

1.7.9.2 The relatively long time required for constructing the facilities of a refinery, and the extensive amount of land required for its construction.

1.7.9.3 Obtaining the regulatory consents required in order to set up and operate a refinery and facilities for the production of aromatic products, and to comply with the conditions thereof.

1.7.9.4 Dependence upon port, transportation and supply infrastructures.

1.7.9.5 Vast technological knowledge and experience with regard to crude oil, petroleum and aromatic products, which is a complex and dynamic field that requires considerable skill and expertise.

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[10] For the latest ESG report published by the Company, see:
https://media.bazan.co.il/bazan/media/34qnll2h/bazan_heb_esg_2024.pdf

1.7.9.6 Dependence on the supply of raw materials, and with regard to aromatics production, having a refinery located close to the plant, is also an advantage for the Company.

1.7.9.7 The need for business and financial robustness, which allows for high construction and maintenance costs, for withstanding the extreme volatility of this market and the relatively long business cycles.

1.7.9.8 The ability to make significant investments in order to meet the strict regulations in the area of activity.

1.7.9.9 For further details on competition in the Refining Segment and the Company's risk factors, see Sections 1.7.17 and 1.24.3 below.

1.7.9.10 As to the exit barriers - the most significant ones are the economic value of the Company's refinery facilities and the Interests Ordinance (see Sections 1.19.9-1.19.10 below), due to the refinery's importance to the State of Israel's energy security

1.7.10 **Alternatives for Segment Products and changes therein**

1.7.10.1 Natural gas - substituting some fuel products with natural gas is a global trend. Natural gas has become a significant source of energy in Israel, which has replaced most of the consumption of fuel oil, and is expected, in the coming years, to also replace most of the consumption of diesel fuel for heating, fuel oil for electricity generation, industrial LPG and certain transportation fuels. The Company is adopting measures for adapting to these changes, whether by using natural gas as a combustion material and as a raw material in its plants, in order to streamline and minimize the Company's production expenses and energy consumption or by modifying its product mix and customer mix to the changing market conditions. For further details concerning the use of natural gas in the Company's plants and the Company's agreements for the purchase of natural gas, see Note 20B1 to the Consolidated Financial Statements and Section 1.7.20 below.

In addition, the Company may engage in the sale or marketing of natural gas, subject its compliance, as an oil refinery or as a party involved in oil refining, with the conditions prescribed in the Natural Gas Sector Law (for further details see Section 1.19.5 below).

1.7.10.2 Vehicles powered by alternative energies - the introduction of electric powered and hybrid cars, which combine fuel and electric systems, and the introduction of renewable fuel substitutes to the Company's products, such as ethanol, hydrogen and biodiesel that are not produced from crude oil offer an alternative to the fuel products manufactured by the Company. For further details see Section 1.7.2.2.4 above, with special attention to the paper on Energy Economy Objectives for 2030. As part of the Company's strategy, it works to further establish its capabilities in future areas of activity, including green fuels and hydrogen, see Section 1.23 below.

The information contained in this section relates to the continuing introduction of natural gas and fuel substitutes such as: electricity, hydrogen and renewable sources, the scope of their use and expected restrictions on their use, and the effect of all of these on the Company is forward-looking information, based on the availability and feasibility of types of crude oil for purchase by the Company, the fuel oil and gas-oil market in the regions of the Company's operations outside of Israel and other factors; and on the Company's assessment as to the rate of introduction of components that are not products of crude oil, for use as transportation fuels and the energy sector as a whole, which may change from time to time, and the materialization of which is uncertain and is not under the Company's control. There is no certainty that the Company's assessments as to each of these factors will materialize, and there is no certainty as to the way in which, or the degree to which the Company will handle this, or the costs involved. These assessments may not materialize or may materialize partially, if the macroeconomic and geopolitical measures lead to changes in the prices of raw material and the Company's various products, or in the preference to use fuel alternatives, due to changes in the availability of fuel alternatives or technological delays in introducing these alternatives to the energy industry, changes in consumer tastes, regulatory and tax changes, and due to the other risk factors facing the Company, as specified in Section 1.24 below.

1.7.11 **Competitive structure of the operating segment and changes therein**

For details regarding the competitive structure of the operating segment and changes therein, see Section 1.7.17 below.

1.7.12 **Main products in the operating segment**

A large number of substances can be produced from crude oil. The oil products are usually separated from the crude into a number of groups of substances, each of which includes a substantial number of chemical compounds:

1.7.12.1 **Light gases** - for energy and as raw materials for industry.

1.7.12.2 **Liquefied petroleum gas (LPG) (a propane and butane mixture)** - used for domestic cooking, as raw material for manufacturing, energy production in general - specifically heating, and for combustion in adapted vehicle engines (automotive LPG).

1.7.12.3 **Naphtha** - as a raw material for industry, including products produced by Carmel Olefins.

1.7.12.4 **Various kinds of gasoline** – for combustion in gasoline engines.

1.7.12.5 **Kerosene (jet fuel, oil)** - fuel for jet airplanes, and for heating.

1.7.12.6 **Various types of diesel fuel** - for combustion in diesel engines and power plants, heating for homes and in industry, and as a component of marine fuel.

1.7.12.7 **Various kinds of fuel oil** - heavy fuel used in industrial furnaces and in power generation overseas and marine fuel.

1.7.12.8 **Waxy substances** (HVGO) – substances which bind at relatively high temperatures, used mostly as feedstock for the HVGO plants.

1.7.12.9 **Bitumen** - used for tarring roads and manufacturing sealing products.

1.7.12.10 **Aromatic materials** are produced, through Gadiv, from raw materials supplied by the Company as set out in Section 1.7.7.5 above, the main ones being:

1.7.12.10.1 **Benzene** – benzene is used as a basic chemical in the manufacture of a broad variety of products used in day-to-day life, such as polystyrene (used, among other things, for insulation), polycarbonate (used, among other things, for the production of boards for modular prefabricated construction), etc.

1.7.12.10.2 **Toluene** – is a component in the manufacture of polyurethane, which is used to prepare foam for insulation or coating, and is common in the vehicle, furniture, construction and other industries. Toluene is also used in the production of paraxylene and benzene.

1.7.12.10.3 **Xylene** – is used as a raw material in the production of paraxylene, and as an organic solvent in the paint and insecticide industries.

1.7.12.10.4 **Paraxylene** – is an important component in the production of polyester, which is a component used in the clothing industry. It is also used as a raw material in the production of beverage packaging.

1.7.12.10.5 **Orthoxylene** – an aromatic material made from refined products. Used as a raw material for the production of phthalic anhydrides.

1.7.12.10.6 **Phthalic Anhydride** – A solid material produced from orthoxylene, which is made from refined products. Used in the production of components for the plastics industry, the production of resins for the paint industry in the production of various polyesters.

1.7.12.10.7 **Solvents** - solvents are mainly used in the paint and coating industries. Solvents are also used as a raw material in agriculture, in the area of pesticides, weed killers, etc., and in the ink printing industry, as a raw material in the sanitizing industry and for extracting edible oils.

1.7.12.11 In addition to the above, the Company manufactures hydrogen from natural gas in a dedicated facility. Hydrogen is used in the hydrocracking process (in the HCU) as well as to power vehicles and for various industrial applications. For further details, see Section 1.12.2.9 below.

1.7.12.12 For information about trends and changes in supply and demand for the segment's key products, see Sections 1.7.2.2.4, 1.7.2.2.5 and 1.7.10 above.

1.7.13 **Breakdown of revenues from products**

For information regarding the distribution of the Company's revenues from external customers by its principal product groups in the Refining Segment, which constitute 10% or more of the Group's total revenues, see Note 28C to the Consolidated Financial Statements.

Since the Company's production is a continuous process in which all of the products are manufactured from raw materials in joint processes that cannot be allocated based on the end products, it is not possible to allocate costs according to classes of products.

In this segment, the Company derives additional revenues (mainly from providing infrastructure services), in amounts that are immaterial to the Company.

1.7.14 **Customers**

As at the report date, the Company has two principal customers, in the domestic market, from which the Company's revenues in the Refining Segment exceed 10% (and as at the report publication date, in 2026 three are expected). The engagement with the abovementioned customers is for short periods of up to two years under which the sold quantities are agreed in advance and a price formula (mainly agreements for the sale of diesel fuel and gasoline) and as specified in below. For details regarding the Company's revenues from these customers, see Note 28C3 to the Consolidated Financial Statements. The Company is not dependent on any of its customers.

1.7.14.1 **Fuel products:**

The refined products produced by the Company for domestic use are sold mainly to fuel and gas marketing companies registered with the Fuel Administration, or licensed as gas supply licenses by the Ministry of Energy. A substantial part of these customers have been with the Company for decades. The Company has long standing contracts with various customers (mainly annual, often monthly, or for other periods, based on the understandings with the customers). With regard to the Company's marketing of fuel, the agreements set out the quantities and price formulas of the various fuel products that the customers intend to purchase from the Company during the course of the agreement term, and that the Company intends to sell to them. Under these agreements, the customers are given certain flexibility regarding the volumes that they will purchase. Prior to the beginning of every month, the customers order the fuel products that they will undertake to purchase during that month, and this volume is sold to them during the month, in accordance with the provision of the specific agreements.

For details regarding the price of the products sold on the domestic market, see Sections 1.19.1 and 1.19.4 below.

In 2025, the sales volumes of petroleum products in Israel constitute approx. 80% of the total sales of petroleum products, together with intra-group sales. The rest of the sales (approx. 20%) are to various customers worldwide (primarily in the Mediterranean). Export sales are partially made in spot contracts between the Company and foreign fuel companies or global commerce companies, and partially on the basis of one-year contracts or contracts for a different period, according to negotiations with the customer. Some of these customers have been with the Company for decades. Export prices of the Company's products on global markets, whether based on spot purchases or under such contracts, are set according to a price formula which is based on market prices immediately prior to delivery of the products. During the reporting period, the Company's key export products were diesel fuel and fuel oil. The Company has ties and access to markets, such as: Cyprus, Greece and the Black Sea region, which import transportation fuels.

On May 3, 2024, the Company learned from media reports and from conversations with Turkish customers, suppliers and agents, that the Turkish Ministry of Trade published an announcement whereby trade between Turkey in Israel will be suspended immediately (hereinafter in this section - the "**Announcement**"). As stated above, prior to the announcement, the Group has had trade activity involving various parties in Turkey, both as part of exports activities and as part of import activities. For further details, see the immediate report dated May 4, 2024 (Ref. No. 2024-01-046884), which is included herein by way of reference. The Group has prepared for the operational consequences of the announcement and - alongside finding solutions for importing raw materials from Turkey - started to market and export those of its products, which were previously sold to Turkey, to other markets such that the aforesaid does not have a material effects on its financial results for 2025.

1.7.14.2 **Aromatic products:**

As at the report date, most sales of aromatic products were executed by Gadiv - approx. 95% in 2025 (similarly to 2024), are to customers overseas, mainly in Europe and the US.

Due to the properties of the aromatic products, the primary customers for these products are manufacturers in the textile, pain, chemicals and plastics industries. The textile and plastics industries are growing rapidly in Asia (coinciding with new paraxylene manufacturers in this region). Furthermore, during certain periods, surplus supply of benzene and paraxylene has been noted in Europe.

As aromatic products are used as raw materials in the production of other products and are supplied mainly to industrial companies, Gadiv's customers consider the regular supply and Gadiv's reliability for supplying its products to be highly important. As a result, this is a relatively conservative industry which prefers to act in long-term cooperation with its various suppliers, such as Gadiv.

Consequently, Gadiv is in annual contracts with most of its customers, most of which are renewed annually.

1.7.14.3 The breakdown of this segment's revenues from sales to the domestic market and for export changes from time to time based on the Company's analysis of its optimal mode of operation with regard to the mix of products it manufactures and marketing goals and based on the prevailing conditions in the various markets.

1.7.14.4 The product mix obtained from each barrel of crude oil depends on the nature of the that crude oil and the configuration of the facilities available to the Company and is subject to some flexibility given these factors. For determining its production mix, the Company takes into account, first and foremost, the domestic market needs and balances these needs by exporting products, especially those for which there is insufficient demand on the domestic market.

1.7.14.5 For further details regarding the Company's revenues from its key customers in the Refining Segment (customers which account for 10% or more of the Group's sales turnover) as well a breakdown of revenues - including by territory, see Note 28 to the Consolidated Financial Statements.

1.7.14.6 The Company has binding agreements with certain customers. In addition, the Company and Gadiv have agreements with a financing syndicate for the non-recourse sale of some trade receivables. For information, see Note 6B to the consolidated financial statements.

1.7.15 **<u>Marketing and distribution</u>**

1.7.15.1 **<u>Marketing and distribution in Israel</u>**

The sale of the segment's fuel products in Israel is affected primarily at the Company's gate, with the fuel and gas marketing companies "extracting" the products from pipelines belonging to companies that provide infrastructure services in the fuel industry, or by road tankers from the Company's supply depot, and they resell the fuel products wholesale for industry and transportation, and retail to the public at large, mainly via gas stations located around the country. A minor part of the aromatic products sold by the Company are sold in Israel. It is noted that, to the best of the Company's knowledge, Gadiv is the only Israeli manufacturer of these products and their main supplier.

1.7.15.2 **<u>International marketing and distribution</u>**

Most marketing and distribution of the foreign activity's fuel products is carried out in the Mediterranean Basin to save on shipping costs. The majority of Gadiv's sales are abroad and the aromatic products are marketed and distributed in the Mediterranean Basin, Europe, North America and South America.

The Company has a reputation for the quality of its products and their compliance with the requirements of the customers. In general, the Company's marketing expenses for segment products are immaterial.

The Company markets and distributes its products through its employees at the Company's head office in Haifa Bay and Gadiv sells aromatic products outside Israel through agents and distributors abroad according to sales areas. Gadiv is not dependent on these marketing channels and the commissions paid to agents is at generally accepted rates.

Transportation costs for the Company's products earmarked for export have a material impact on the profitability of sales. Therefore, the Company has an advantage in supplying fuel products to customers in the Mediterranean Basin. Gadiv operates in accordance with market opportunities while maximizing the contribution, including in respect to freight costs.

For the purpose of its operations overseas, the Company leases tankers for maritime shipping of refined products (and crude oil), under long-term leases. Gadiv also sells its products to end customers in ISO-tanks, containers, and supplies them from containers that Gadiv leases in various places, close to the customers. For further details on leasing petroleum and crude oil products transportation tankers, see Section 1.9 below.

For details regarding the dependence of the Group's activity on infrastructure companies, see Sections 1.7.20.10, 1.7.20.13, 1.7.20.14 and 1.24.3.3 below.

1.7.16 **Order pipeline**

Usually, the order pipeline in this segment arises mainly from agreements in the domestic market (mainly diesel fuel and gasoline sales agreements) for short periods of up to one year, under which sales quantities are agreed upon in advance. The order pipeline in this segment as at December 31, 2025 from customers of the Company and Gadiv amounted to approx. 6.7 million tons and an amount of approx. approx. USD 4,433 million (which reflects the product prices quote known immediately prior to the date to which the order pipeline refers). In 2026, most of the order pipeline is expected to be spread evenly throughout the year. Immediately prior to the report approval date, the order pipeline is approx. 5.5 million tons and amounts to approx. USD 4,543 million (reflecting known price quotes of products relevant to this date),[11] the increase in order pipeline compared to December 31, 2025 is mainly due to an increase in product prices, offset by a decrease in quantities due to the passage of time.

[11] It is clarified that the strengthening of the business environment in the Refining Segment following Operation Lion's Roar is not reflected in the product prices taken into account for the purpose of order pipeline data immediately prior to publication.

As at December 31, 2024, the order pipeline stood at approx. 5.8 million tons and approx. USD 4,123 million; total actual quantities sold and revenues arising from the order pipeline were similar to the pipeline as at December 31, 2024.

The rest of the Company’s sales in Israel are based on monthly orders, which are supplied in the month following the month the order is placed. Foreign sales are carried out based spot sales agreements, and are supplied within a short period of time after the date of contracting.

The scope and timing of the order pipeline may change, inter alia, in the event of a material change in customer orders and/or the ability of the Company or Gadiv to supply the orders and/or in macroeconomic figures and/or other factors that the Company and Gadiv have no control over and that are unknown to them at the Reporting Date.

The forgoing with regard the order pipeline, the uniform spreading of orders over 2026 and the scope of monthly and spot sales is forward-looking information as defined by the Securities Law, based primarily on the companies' experience in previous years as well as actual orders. The factors affecting the companies are detailed above and are not under the Company’s control; consequently, there is no uncertainty regarding the breakdown of actual orders during 2026 and the scope of monthly and spot orders during the year.

1.7.17 **<u>Competition</u>**

1.7.17.1 There are two refineries operating in Israel which compete against each other, the Company and Oil Refinery Ashdod, as well as global companies that offer fuel products, primarily to the large and mid-size fuel marketing companies and to large-scale consumers.

1.7.17.2 Oil Refinery Ashdod is located in Ashdod (near the country's large demand areas), and according to its reports,[12] its refinery has a nominal refining capacity of approx. 5.4 million tons of crude oil and feedstock per year, its refining activity includes importing and exporting crude oil and crude oil products, refining oil and selling its products to the local market and for export, electricity generation and sale activity and fuels storage and supply services.

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[12] The data regarding ORA are based on information presented in ORA’s 2025 Annual Report published on March 25, 2026 (Ref. No.: 2026-01-026754) (hereinafter - the “**ORA’s 2025 Annual Report**”).

Until the listing of the shares on the TASE (as a company without a controlling core) on August 28, 2023, ORA was owned by Paz. At the spin off completion date of ORA's split from Paz, and as part thereof, an oil and distillate agreement was signed, according to which Paz will continue to purchase most of its fuel from Oil Refinery Ashdod until the end of 2025.[13] Subsequent to the report date, the Company started to supply Paz with substantial quantities of various petroleum products.

1.7.17.3 The Company is of the opinion, based on public information published by the Fuel Authority, that the Company's share of the domestic market in this operating segment for 2025 was approx. 65% compared to approx. 67% in 2024.[14]

1.7.17.4 The fuel storage and supply depots located in the areas of demand (Ashdod and Ashkelon), that enable, in addition to the fuel products produced by ORA, the import of fuel products and their distribution throughout the center and south of the country, as well as the cost of using the fuel industry infrastructures, may have an adverse impact on the Company's ability to compete in those areas. It is noted that the Company's customers and others have the option of using those depots to import gasoline.

1.7.17.5 In addition, the cost of supply to the center and southern Israel increased. The infrastructure costs affect the Company's ability to compete in areas which are located far from its refinery, and an increase in these costs could adversely affect this ability. Especially since its main coopetitor - Oil Refinery Ashdod - has fuel storage and distribution facilities in the Ashdod area. In this context, it should be noted that, according to the Control of Prices of Products and Services Ordinance (Fuel Sector Infrastructure Tariffs), 2014, revised during the reporting year, the infrastructure activities paid by the Company have become more expensive. For further details, see Section 1.19 below.

1.7.17.6 The Company's operations in Israel and overseas take place under conditions of international competition. Most of the competition in the field of refining operations focuses on maintaining the quality of these products over time, adaptation of the products to comply with changing standards, ability to adapt and respond to changes and trends in the operating markets and the upholding a high level of reliability with regard to complying with dates of supply and payment practices to suppliers.

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[13] For details, see Section 3.31.16.2 to ORA's 2025 Annual Report.

[14] For additional data regarding market size, see Section 1.7.5 above, and Section B, Chapter 1 to the Report of the Board of Directors.

Unlike the Company's share of the domestic market, the Company's share in the international market is minor.

1.7.17.7 The peace agreements signed by the State of Israel with a number of Gulf states as from 2020 have created new opportunities for the Group in this operating segment, as well as risks of increased competition in the operating segment as a result of foreign players from these countries entering the domestic market.

1.7.17.8 Gadiv operates in a highly competitive market, and competes with international manufacturers. Gadiv is a small player in the international market of aromatic product manufacturers, and so are most of its competitors in its main operating segment (in countries in the Mediterranean Basin and Western Europe). However, in the Mediterranean Basin, Gadiv is a significant player both as a manufacturer of aromatic products and as an active player in commercial operations. The Company estimates that Gadiv's share in aromatic products segment in the Mediterranean Basin is estimated at approx. 6% of the market (similarly to 2024).

1.7.17.9 To the best of the Company's knowledge, Gadiv is the only aromatic products manufacturer in Israel. As set out in Section 1.7.14.2 above, most of Gadiv's sales are to customers overseas.

The Company's assessments regarding competition and its effect on the Company's areas of operation, as specified in this Section 1.7.17 above, is forward-looking information as defined by the Securities Law, and as such is uncertain and may not materialize, in whole or in part, or may materialize differently than expected. These assessments are based, among other things, on publications on the subject in Israel and worldwide, including information published by the Fuel Administration and the Company's competitors, on the Company's past experience in dealing with local and regional competition and on the Company's assessments and estimates, as at the Reporting Date, which may change from time to time, and their materialization is uncertain and is beyond the Company's control. These assessments may not materialize or may materialize in part, inter alia, in the event of a material change in other geopolitical and/or macroeconomic and/or factual data, difficulties in implementation of the intentions and plans of the Company's competitors, entry of competitors into the aromatics sector, and due to the other risk factors to which the Company is exposed, as outlined in Section 1.24 below.

1.7.18 **Seasonality**

The Company manufactures some of the petroleum products based on standards which change according to season. The standards are intended to ensure that the quality of the products complies with changing environmental conditions, in accordance with seasonal climates.

In addition, there are seasonal fluctuations in consumption of the Company's products which affect the relative prices of the various products. Consequently, in the winter months the relative prices of fuel products used for heating (such as diesel fuel) usually increase, and in the summer months the relative prices of transportation fuels (such as gasoline) usually increase.

The abovementioned seasonal effect is relatively small compared to the effect of other factors (such as the condition of the facilities, the Company's general refining capacity, and the viability of refining and competing imports) on the scope of product sales by the Company and on its product mix.

1.7.19 **Production capacity**

1.7.19.1 The plant facilities include, among other things, initial distillation units (crude refining), catalytic cracking units and catalytic reformer units (for refining and finishing fuel products), other production units (for production of isomert, which is used as one of the components of gasoline), and facilities for treatment of sulfur.

1.7.19.2 The production capacity of the companies at Reporting Date, is distillation of crude oil (carried out in the crude distillation facilities) of approx. 197 thousand barrels of crude per day (approx. 9.8 million tons per year) and approx. 3.2 thousand tons per day of feedstock to the Aromatics facilities. Refining capacity is measured in barrels of crude oil per day which a refinery can process in its refining facilities. The actual refining volume and the type of crude oil that is processed are determined by overall optimization and based on the Company's needs. For further details regarding the breakdown of the Refining Segment's output by main product groups, see Section B Chapter 1, of the Report of the Board of Directors.

1.7.19.3 Continuity of the facilities' activity - The Group's production facilities work continuously 24/7, 365 days a year (some of which were built many years ago), operate non-stop, under continuous physical and chemical conditions, and are therefore exposed, from time to time and in the ordinary course of business, to operational incidents and various malfunctions which may result in the decrease of a facility's output or its shutdown, as well as to the shutdown of other production facilities operating in conjunction with or near the facility in which the operational incident and/or malfunction had occurred.

Suspension of the operation any of the Group's facilities in order to address such events or for maintenance, upgrading, and overhauling (as described below) affects the continuous operation of the facilities, their effective utilization, and accordingly - substantially affects the results of the Group's operations as well (for further information about this risk factor, see Section 1.24.3.4 below). The Group Companies manage these events in an informative manner, with the aim of minimizing their consequences, and makes preparations to include them as part of its daily routine. This includes planned shutdowns of the Group's facilities for preventive maintenance and enhancement of systems, so as to minimize damage due to operational incidents and to ensure proper management thereof, and the Company is also ready to handle various incidents and malfunctions, both through adoption of procedures for effective handling - including investments in early detection of malfunctions, and through work plans which include, as a working assumption, possible shutdown of the Group's facilities due to unexpected incidents and malfunctions.

1.7.19.4 Preventive maintenance - Each of the main facilities in the compound is shut down every several years (approx. 6) for periodic maintenance work (refurbishment) which normally takes between approx. 35 to approx. 60 days. The period varies on the facility and the volume and intensity of work required. During periodic maintenance, the facilities are serviced and renovated with the aim of ensuring that they continue to operate with optimal safety and availability until the following periodic maintenance.

Prior to performing the periodic maintenance, the Group's companies make logistics, commercial and financial preparations, including contracting with suppliers and contractors, to produce everything required for replacement or upgrade during the maintenance and for performance of the actual maintenance work; the raw material purchasing mix, production plan and sales commitments are adjusted based on expected changes due to the periodic maintenance; and if necessary, a stock of products is manufactured in advance, according to the capacity, for the periodic maintenance period to allow orders to customers to be supplied in this period.

The dates of the periodic maintenance were set to combine periodic maintenance of facilities that feed each other, if possible, so as to minimize the effect of the shutdown of the facilities on the Group's operating results.

1.7.19.5 In addition to the plans for ongoing maintenance and periodic maintenance work of the Company's facilities, the Company acts to upgrade, improve and expand its facilities in accordance with plans approved from time to time; this is done in order to meet market requirements which change in accordance with technology, and to enable the production of products that comply with strict quality requirements (such as deployment of emission reduction systems). For details regarding the master plan applicable to the Bazan complex and the planning restrictions thereunder, see Section 1.11.8 below.

1.7.19.6 For details regarding the rate of utilization of the crude oil facilities in 2025 and 2024, and the factors impacting it, see Section B in Chapter 1 to the Report of the Board of Directors. The refinery's capacity to produce refined products with a high added value using complex distillation facilities is measured according to the Nelson Complexity Index distillation (hereinafter - the "**Nelson Index**") which, for refineries in the Mediterranean Basin, fluctuates between 9 and 12.6 and between 5 and 10, excluding the Aromatics facilities. The higher the index result, the more the refinery is capable of producing products of higher added value and/or of refining types of crude oil of lower quality. The Nelson Index for the Company's refinery, including the aromatic facilities, stands at 11.1 and without the aromatic facilities stands at 9.1.

1.7.19.7 Breakdown of production capacities of the major refining facilities listed in Section 1.11.1 below:

		Production capacity (barrels per day)	**Year of establishment**	**Date of last upgrade**	**Date of last maintenance**
Crude refining facilities (including vacuum):					
Crude Refining Plant 1		27,000	1939	1995	2019
Crude Refining Plant 3		57,000	1944	1979	2025
Crude Refining Plant 4		113,000	1985	2009	2024
Total refining capacity		**197,000**	-	-	-
Visbreaking facilities (3/4)		43,500	1944/1945	1982	2024/2025
Fluid catalytic cracking (FCC) facility		25,500	1979	2005	2022
Mild hydrocracker (MHC)(1)		31,000	1964	2009	2022
Continuous catalytic reformer (CCR)		33,000	1995	2017	2017
Isomerization facility		12,000	2006	N/A	2017
Hydrocracker (HCU)		36,000	2012	N/A	2025
Hydrogen production facility		120(2)	2012	N/A	2025
Desulferization facilities:					
Naphtha		40,000	1995	N/A	2017
Kerosene (3)		16,500	1962	2007	2022
Diesel fuel		72,000	2002	N/A	2024
FCC gasoline		15,500	1962	2002	2022
Aromatics facilities		3,200 (2), (4)	1977	2010	2017

(1) Established as a diesel fuel desulferization facility, it was converted to a mild hydrocracker.

(2) Tons per day.

(3) Established as a naphtha desulferization facility, it was converted to serve as a kerosene hydrosulferization unit (HDS).

(4) Gadiv has annual processing capacity of approx. 1,100,000 tons reformate[15] and approx. 100,000 tons dripolene[16] (aromatic byproduct produced at Carmel Olefins).

[15] A high-octane material produced in the Company's catalytic reformer (CCR), which contains high concentrations of aromatic substances.

[16] A by-product in the naphtha cracking process at Carmel Olefins plants, that contains a high concentration of benzene.

1.7.19.8 Periodic maintenance work was scheduled in CDU 4 and ancillary facilities for the fourth quarter of 2023; however, following the Iron Swords War and the directive issued to the Company by the Minister of Energy and Infrastructures, whereby it is required to operate its facilities continuously, it had to postpone them. The said periodic maintenance work took place in 2024 and its direct cost (before capitalization of payroll and other costs) totaled approx. USD 95 million, and it includes excess costs in respect of the abovementioned deferral. During the first quarter of 2025, periodic maintenance work was carried out in the hydrocracker (HCU) and hydrogen production facilities, CDU 3 and ancillary facilities, the direct cost of which totaled approx. USD 85 million. In view of the geopolitical tensions, the periodic maintenance work in the continuous catalytic prominence (CCR) facilities, isomerization facilities, aromatics facilities and ancillary facilities, whose direct cost is estimated at approx. USD 80-90 million, which were scheduled to the second quarter of 2026, will be postponed and the Company is working to reschedule their execution during 2026. In 2027, the Company plans to carry out periodic maintenance work in CDU 1, at a total cost that is immaterial.In addition, in 2028, the Company plans to carry out periodic maintenance work in the fluid catalytic facility (FCC), and in all of Carmel Olefins' facilities.

The information presented above regarding the Company's decisions to carry out scheduled periodic maintenance work in the Company's facilities and their cost constitute forward-looking information as defined by the Securities Law, and as such is uncertain and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's current plans, which may not materialize, may materialize in part or in a manner which is materially different than expected, as a result of factors which are beyond the Company's control, including changes in costs, required regulatory approvals, availability of contractors, as well as the high level of uncertainty still prevalent as to the protraction of the Iron Swords War and its byproducts, Operation Lion's Roar and its effect on the functioning of the Israeli economy and home front, including the Company's activity, directives the Company will receive as a result of the above and/or as a result of the possibility that the Israeli economy will enter a prolonged state of emergency and/or as a result of the Company and its activity adapting to the state of war, as well as due to the other risk factors to which the Company is exposed, as stated in Section 1.24 below.

1.7.19.9 After the missiles hit the Energy Center during Operation Rising Lion and as part of the Work Plan's implementation (see Note 1.6.3.4 above), the Energy Center in the Group's Haifa Bay compound provides steam needed to operate the Group's facilities. As at the report date, the Company reactivated steam facilities which enable full ongoing activity of the Group's facilities with sufficient redundancy. The Company is working to complete the steam system for full redundancy. For further details, see Section 1.6.3.4. As at the Report publication date, all of the electricity consumption in the Haifa Bay compound is provided using the IEC's infrastructure, in accordance with the agreement with OPC, as detailed below.

1.7.19.10 Until the missile attack, the Company has a power generation facility with an installed power generating capacity of approx. 40 MW and approx. 350 tons/hour of steam. The electricity and steam produced at the station were used for the purpose of operating the Company's plants and are in part sold to other companies in the Haifa Bay. As from July 2013, the Company purchases the remaining power it requires for the Group's Bazan site plants from OPC Rotem Ltd. (hereinafter - "**OPC**"), in accordance with an agreement signed between the Company and OPC in 2011 and renewed and amended on May 23, 2023 for a further ten-year period as from July 2023. In accordance with the agreement, the price of electricity reflects a discount off the supervised price of electricity set by the Israeli Electricity Authority. For details regarding the agreement with OPC, see Notes 20B5 and 27E to the Consolidated Financial Statements and an immediate report published by the Company on May 24, 2023 (Ref. No.: 2023-01-047446), included herein by way of reference. Subsequent to the aforesaid missile strike, the Company now purchases all the power required for its operations from OPC in accordance with the aforesaid agreement.

1.7.20 **Raw materials and suppliers**

1.7.20.1 The Company's raw materials are crude oil, and the intermediate materials produced in the processes of separating out crude oil, and which are intended for processing in downstream facilities (straight run atmospheric residue - mostly HVGO). Around the world, a wide variety of types of crude oil is traded, each of which is different from the others with regard to qualities. As said, the market for crude oil and its products is a commodities market. This market is a sophisticated one, which is characterized by a very high level of trading, including derivatives and futures contracts on the commodities exchange or with large international bodies.

1.7.20.2 Moreover, there are crude oil suppliers and trading companies which do not sell crude oil to Israeli companies, which to an extent limits the possibilities for the Company to contract with crude oil suppliers, and even causes an increase in the Company's transportation expenses. Likewise, the availability of tankers to transport crude oil to Israeli ports is limited and a number of international shipping companies do not contract with the Company, which causes additional costs. For information regarding tankers that the Company leases, see Section 1.9 below.

1.7.20.3 The Company purchases crude oil and intermediate materials for the production of the products it plans to sell to its customers, in quantities and of types based on its order pipeline and the Company's estimate of additional quantities it expects to sell, taking into consideration, inter alia, the expected timing of receipt thereof and processing; the storage options available to the Company; market conditions and other factors.

1.7.20.4 The Company purchases crude oil and intermediate materials to produce end products from various suppliers worldwide mainly international, national and local trading companies, and refineries and other companies that specialize in trading of oil and its products, with which the Company may have long standing commercial ties. Part of the Company's purchases are under agreements for a period of one or a few years (hereinafter - "**Periodic Purchase**"). These agreements fix the volumes that the Company will purchase over the term of the agreement, with certain flexibility regarding such volumes. If price formulas are set in an agreement, they are based on prices that are derived from the market price close to date of delivery. Furthermore, the Periodic Purchase agreements may contain a mechanism for deciding the type of crude that will be purchased and its price, during the term of the agreement. In the event that the Company does not utilize part of the quantities it undertook to purchase in the period, it can easily sell these quantities on the global oil market, which as aforesaid is a sophisticated market with very high tradability. It is clarified that such a sale may require price adjustments which are not expected to be material to the Company. In 2024 and 2025, most purchases were on the basis of spot transactions, and the Company estimates that this trend is expected to continue in 2026. In 2024-2025, the Company purchased approx. 40% of its crude oil and intermediate materials under periodic purchase agreements. In the Reporting Year, the Company continued engaging in agreements mainly with suppliers of crude oil allowing it to obtain credit for 60 days (and, in some cases, up to approx. 90 days), enabling the Company flexibility in managing the working capital needed for its operations. For further details, see Note 15A to the consolidated financial statements.

1.7.20.5 In the reporting period, the Company sourced crude oil (and other raw materials) from a range of sources that change from time to time, in accordance with the economic viability of buying each type of crude oil. In this context, it should be noted that in the reporting year, the Company entered into a crude oil inventory availability agreement; for further details about the agreement, see Note 20B4 and the immediate report published by the Company on March 11, 2025, (Ref. No.: 2025-01-016286), the content of which is included herein by way of reference.

1.7.20.6 The Company purchases heavy vacuum gas oil (HVGO) on an ongoing basis; HVGO is used as feedstock for some of the Company’s downstream facilities. Most of the HVGO in the global market is manufactured in refineries located in Russia. In 2025, and with respect to 2026, the Company signed agreements to purchase most of its HVGO from non-Russian parties; however, this HVGO is still manufactured in Russian refineries. The remaining HVGO quantities, which are required for the Company, are purchased during the year through spot transactions.Furthermore, from time to time the Company purchases atmospheric residue (straight run), which is used as a substitute for certain types of crude oil in the refining process. Most of the atmospheric residue in the Mediterranean Basin, which is relevant to the Company, originates in Russian refineries. The Company does not have long-term agreements to purchase atmospheric residue, and it purchases it on an as-needed basis, in accordance with the purchase’s economic merits, and only as part of spot transactions. Trade in products from a Russian source is according to sanctions that are updated from time to time. As at the reporting period and based on external legal advice, trade in these products from Russian sources under the sanctions, is permitted to destination countries which do not belong to the price cap coalition, which has set price caps for providing services for Russian oil and oil products (hereinafter - the “**Price Cap Coalition**”); and if the price is lower than the relevant price cap for each product, it can also be transported and insured, and have additional services provided for that product, through entities from the Price Cap Coalition, mainly the US, Europe and G7 countries. The Company follows updates of the sanctions on Russia, regularly reviews its activities in conjunction with international legal experts, and ensures full compliance with the provisions of the law and the sanctions relevant to its operations.

For further details regarding the potential effects of the imposition of sanctions on Russia on the purchase of feedstock from Russian sources, see Note 1D to the Consolidated Financial Statements.

1.7.20.7 During the reporting period, negligible quantities of condensate were pumped to the Company. For further details, including regarding Leviathan Reservoir's notice on the cessation of condensate pumping from the Leviathan Reservoir to the Company following Leviathan Reservoir Partnership's entering into an agreement for the sale of condensate with ORA, see Note 20B2 to the Consolidated Financial Statements.

1.7.20.8 Breakdown of percentage of raw materials purchased by the Company from its three largest suppliers: In 2025 - approx. 24%, approx. 16% and approx. 8% and in 2024 - approx. 36%, approx. 14% and approx. 9%. In the Company's assessment, it is not dependent upon suppliers of crude oil.

1.7.20.9 Gadiv's operations are synergistic with those of the Company, which is the only supplier of Gadiv's raw materials. Therefore, Gadiv and the Company are co-dependent. The raw materials required to manufacture of Gadiv's products are supplied to it by the Company under a raw materials processing and purchase agreement.

1.7.20.10 Petroleum and Energy Infrastructures, which provides the Company with services for unloading crude oil, storage and delivery services to the refinery, storage of fuel products, and port infrastructure for unloading intermediate materials and for loading products for export, as well as domestic infrastructure for the transportation of fuel products. The prices that Energy Infrastructures charges for its services is supervised under the Supervision of Prices Ordinance, which sets a fixed price for these services. In the Company's assessment, should Energy Infrastructures cease providing services to the Company, the Company's operations may be materially adversely affected. In the Company's assessment, the possibility that Energy Infrastructures will willingly cease to provide services to the Company, under circumstances other than a malfunction or a regulatory order, etc., is unreasonable, due to, among other things, the fact that Energy Infrastructures is a government company and in light of its being a monopoly in the services that it provides, and taking into account Energy Infrastructures' dependence upon the Company as its primary customer. Nonetheless, some of Energy Infrastructures' facilities through which the Company receives infrastructure services are outdated and the level of service provided through them is limited. For further details regarding the risk to the Company due to dependence on infrastructure companies, see Section 1.24.3.3 below.

1.7.20.11 On June 25, 2024, as part of a proceeding to which Energy Infrastructures is a party and which was conducted in the Haifa Local Affairs Court, a decision was made to the effect that in the absence of a building permit, within six months from the date of the decision Energy Infrastructures is required to discontinue the operation of the main tankers in the Kiryat Haim tanks farm and several other buildings within nine months from the decision date (as stated above, Energy Infrastructures uses the containers and buildings to provide services the Company for the importation, storage and piping of crude oil). On August 18, 2024, Energy Infrastructures delivered a notice to the Company, according to which a settlement procedure was conducted and completed, as part of which Energy Infrastructures and the Haifa Municipality reached an agreed and approved memorandum of understanding, according to which Energy Infrastructures acts (hereinafter in this subsection - the "**Outline**"); accordingly, Energy Infrastructures is of the opinion that the Outline allows for the continued use of the tanks and the required buildings in the Kiryat Haim tanks farm, such that the provision of all the services rendered to the Company by Energy Infrastructures will continue as usual. Based on Energy Infrastructures' notice, the Company is of the opinion that it is not expected that it will be impacted to a material extent, if at all, as a result of the abovementioned resolution of the Local Affairs Court.

1.7.20.12 On June 23, 2025 Energy Infrastructures published a report to its investors regarding a summons to a hearing by the Haifa Municipality due to an alleged breach of the provisions of Energy Infrastructures' toxic materials permit in the Kiryat Haim terminal for the purpose of assessing the cancellation of Energy Infrastructures' business license (hereinafter - "**Energy Infrastructures' Report**"). In Energy Infrastructures' Report, the latter clarified that it contests the municipality's position, and that according to the assessment of its external legal counsel, it has good arguments against the municipality's position. On August 10, 2025, Energy Infrastructures published an additional report, according to which on that date, it received a summary of a meeting which took place instead of the hearing, with the participation of various parties, including representatives of the Haifa Municipality, the Ministry of Energy and Infrastructures, and Energy Infrastructures; in the meeting, the parties agreed, among other things, that the Haifa Municipality shall promote the issuance of permits for Energy Infrastructures - both for the installation of an air pollution monitoring system around the facility (hereinafter - the "**Monitoring System**") and for the demolition and cleanup of the northern row of tanks in the facility, and that Energy Infrastructures will work to advance and build the Monitoring System.

The above statement regarding the effect on the Company constitutes forward-looking information, as defined by the Securities Law; it is based on the notice and assessment of Energy Infrastructures, which owns the tanks farm and provides the storage services to the Company. This assessment may not materialize in whole or in part or materialize in a manner different than expected, if Energy Infrastructures' assessment as to the implementation of the Outline will not materialize in the manner Energy Infrastructures believes it will materialize.

1.7.20.13 The Company is operationally dependent upon EAPC, which provides the Company with: crude oil unloading and storage services at its facilities at Ashkelon and Eilat, transportation services for crude oil, via the pipeline infrastructure that belongs to EAPC. The tariffs and conditions for the services provided by EAPC to the Company, are prescribed from time to time by negotiations between the parties. In the Company's assessment, should EAPC cease providing services to the Company, the Company's operations may be materially adversely affected. In the Company's assessment, the possibility that EAPC will willingly cease to provide services as aforesaid, under circumstances other than a malfunction or regulatory order, etc., is unreasonable, due to, among other things, the fact that EAPC is a government company and in light of its being a monopoly in the services that it provides, and taking into account EAPC's dependence upon the Company as its primary customer. For further details regarding the risk to the Company due to dependence on infrastructure companies, see Section 1.24.3.3 below.

1.7.20.14 The companies' facilities are connected to the national natural gas transmission system. As at the report publication date, the Company consumes the entire quantity of natural gas that it needs. For the supply of natural gas, the Company is dependent on transmission company INGL, with which it has engaged in an agreement, as stated in Note 20B1 to the Consolidated Financial Statements. Should INGL cease to provide services to the Company, the Company's operations may be materially adversely affected as shall be the supply of LPG to the Israeli market. For further details regarding the risk to the Company due to dependence on infrastructure companies, see Section 1.24.3.3 below, and for details regarding the risks involved in interruption to the supply of natural gas to the Company, see Section 1.24.4.2 below.

It is hereby clarified that the Company's foregoing assessments regarding the possibility of termination of the services provided to the Company by Energy Infrastructures, INGL and EAPC, and the risks involve in failure in the routine supply of gas, and the implications thereof constitute forward-looking information, as defined by the Securities Law, and as such, it is uncertain and may not materialize, in whole or in part, or may materialize differently than expected.These assessments are based, inter alia, on assessment of the status and characteristics of the infrastructure service providers as government companies and monopolies, the Company's status as a key customer of these companies, regulation of the operations of these companies, analysis of the significance of these matters by the Company and its past experience in dealing with them. These assessments may not materialize or may materialize in part, if these companies are privatized and/or the state's interest in them decreases or state policy regarding them changes for any presently unforeseeable reason or if the Company's status as their customer changes or due to material malfunctions in their operations and/or due to insufficient resources to continue their operations or various court decisions and due to the other risk factors facing the Company, as specified in Section 1.24 below.

1.7.20.15 The Company and Group companies use natural gas for energy purposes, as a raw material, and as the main energy source for their operations. If the Group companies do not receive a continuous supply of natural gas, this may have a significant effect on their operations that use natural gas as energy in the many refining processes and as a raw material. For further details, see Section 1.24.4.2 below.

1.7.20.16 The use of natural gas in the Group's facilities leads directly and indirectly to more efficient energy consumption and reduced maintenance and other costs, the scope of which varies from time to time based on the relative prices of alternative energy sources, and it is necessary in order for the Group's companies to be able to comply with the environmental requirements. If natural gas is supplied to the Group Companies in sufficient quantities for all their needs, the use of natural gas allows them to comply with the provisions of the emission permits issued for them by the Ministry of Environmental Protection.

1.7.20.17 It should be noted that as at the report approval date, there are three natural gas suppliers in Israel (the Tamar Reservoir, Leviathan Reservoir, and the Karish Reservoir). In 2018, the Company engaged with Energean Israel Limited (hereinafter - "**Energean**"), the owner of the leases in Karish and Tanin reservoirs in a natural gas purchase agreement to operate its facilities and those of Carmel Olefins and Gadiv operating in Haifa Bay, according to which, as at April 1, 2023, Energean is required to supply natural gas, on a firm basis, in accordance with the provision of the agreement. For further details regarding this engagement, see Note 20B1 to the Consolidated Financial Statements.

1.7.20.18 If Energean is unable to supply natural gas, the Company purchases natural gas from the Tamar Reservoir and/or Leviathan Reservoir, and/or as part of agreements with independent power producers and natural gas marketers, which are signed from time to time. The Company believes that, although from time to time, the Karish Reservoir and the other gas reservoirs are shut down for maintenance work, security or other considerations, in view of the existing alternatives as detailed above, no material effects are expected on the Company in the event that the Karish Reservoir is unable to supply natural gas; and, taking into account the Group's materiality to the Israeli economy, the Company is expected to supplement the natural gas shortfall to ensure continuity of natural gas supply for the Group companies' facilities.

The Company's foregoing assessments regarding the continuity of natural gas supply constitutes forward-looking information. These assessments are based on reports by relevant companies and natural gas partnerships as well as data and assessments by professionals in the Company. There is no certainty that these assessments will materialize, since they are highly complex issues and their implementation depends on entities outside the Company and developments in the relevant markets. These assessments may also change materially in case of a material change in other geopolitical and/or macroeconomic and/or factual and/or security-related data over which the Company has no control and which it is unaware of as at the date of this report.

1.8 **Carmel Olefins - Polymers Segment**

1.8.1 **General information**

1.8.1.1 **General**

The Group conducts its polymer operations (manufacturing raw materials for the plastics industry) through Carmel Olefins and its subsidiaries.

Carmel Olefins was established in 1988, as a privately-held company. From December 30, 2009, subsequent to an agreement whereby the Company acquired 50% of Carmel Olefins' shares (held by IPE), Carmel Olefins became a wholly-owned Company subsidiary.

1.8.1.2 Carmel Olefins is an industrial company operating in the petrochemicals industry (polypropylene and low-density polyethylene) both directly and through Ducor (a wholly-owned (indirect) privately-held subsidiary of Carmel Olefins, registered in the Netherlands), manufacturing and marketing polymers, which are used principally as raw materials for the plastics industry. Carmel Olefins also manufactures feedstock (ethylene and propylene), used as raw materials in polymer production (hereinafter jointly - "**Carmel Olefins Products**" or "**Segment Products**”).

Furthermore, despite the above, Carmel Olefins operates through Carmel Eco, a subsidiary in which Carmel Olefins acquired 76% of its share capital in August 2022, and as at September 2024 holds (through a subsidiary) 100% of its share capital.

Carmel Eco is one of the main manufacturers of recycled plastic in Israel, specializing in plastic recycling in an annual volume of up to approx. 10,000 ton and supplying several types of recycled plastic according to customer specifications. Control over Carmel Eco was acquired as part of implementation of the strategic plan for the Polymers Segment and development of a circular economy (which is based on reuse and recycling of resources) for the Group.

1.8.2 **Polymers Segment - segment structure and developments therein**

1.8.2.1 As noted above, Segment Products are used as raw material in the plastics industry.

In Israel, Carmel Olefins is the single manufacturer of polypropylene and low-density polyethylene, and, in fact, its competitors in the domestic market are foreign manufacturers that operate through agents in Israel and local distributors that import those products to Israel on an occasional basis from a variety of sources, depending on the export prices in each of the main supply sources (Europe, the USA, the Far East, and the Middle East). Carmel Olefins' share in the global market (including Ducor) is negligible. For additional information about the competitive structure of this area of activity, see Section 1.8.18 below.

1.8.2.2 The Segment Products are viewed globally as commodities, bought at more or less identical prices from all manufacturers. The prices of raw materials fluctuate and are affected, among other things, by global supply and demand cycles.

1.8.2.3 The growth in demand for plastic products worldwide is primarily prompted by the development of the standard of living and changes in economic status. However, subsequent to the increasing effect of a global trend stemming from consumers' demand for the use of recycled input materials and renewable sources ("biopolymers"), in recent years, there has been a decline, including in the development of global regulatory requirements with respect to this trend. Changes in supply, on the other hand, depend on when new facilities come online and closure of old facilities, lower production rates, and the cost of raw materials, which have gone down for some manufacturers due to new raw materials used on the production of olefins (shale oil in North America, coal and methanol in China). Carmel Olefins believes that in the future, the use of raw materials from renewable sources (such as used oils and chemical recycling) will grow. The supply and demand dynamics create boom and bust cycles in demand and prices of Segment Products, with each cycle lasting several years.

1.8.2.4 In Israel, there are hundreds of plastics plants that purchase the products they require from Carmel Olefins and from imports. The prices at which the products are purchased in Israel and overseas are derived from the prices of these products on the global market. Following the Abraham Accords the State of Israel sighed with several countries in the region as at 2020, imports of products from these countries increased, which affects product prices and competition in the area of activity.

1.8.2.5 The Iron Swords War has had a complex and dynamic effect on domestic market demand. Increased demand for military and medical supplies, a shortage of workers in the construction industry and other industries, an expensive and long supply chain and a concern that ports will be closed, an embargo imposed by Turkey on exports from Israel, a ban on direct exports to the State of Israel and more.

1.8.2.6 In light of growing awareness of plastic waste pollution, and in order to transition to circular economy, a global trend has begun to increase demand for recycled plastic products; more and more manufacturers of various consumer goods are announcing plans to dramatically decrease their use of plastic in general, and non-recycled plastic in particular; furthermore, declarations are issued and laws are enacted to reduce the prevalence of single-use plastic. Alongside these recent trends, there have also been converse changes; thus, for example, an inter-governmental negotiating committee, which was established following a resolution of the United Nations Environment Assembly with the aim of formulating a draft of a binding international environmental treaty to prevent plastic pollution by the end of 2024, a broad agreement on the matter has not yet been reached and the various versions are still being discussed.

1.8.2.7 Today, market penetration of recycled plastics remains low, due to, among other things, availability of recycled raw materials and a delay in implementing supportive regulation. However, the rising trend to reduce consumption of plastic products and/or increase demand for recycled plastic products may adversely affect demand for Carmel Olefins' products and undermine its profits. As at the report date, all of Carmel Olefins' products are recyclable. Carmel Olefins is studying market developments, including potential opportunities offered by these developments.

1.8.2.8 International publications[17] indicate that demand for the various types of polyethylene is expected to grow at an annual rate of approx. 3.5% until 2027. The bulk of the growth in demand is expected in north-east Asia and other developing countries.

According to said publications, global polypropylene consumption is expected to grow at an annual rate of approx. 3.9% in these years. Growth is mainly expected in China and other developing countries.

[17] Based on forecasts by S&P Global Commodity Insights (IHS).

This information regarding the rate of growth in demand for polypropylene and polyethylene until 2027 constitutes forward-looking information, and as such is uncertain and may not materialize, in whole or in part, or may materialize differently than expected. These assessments are based on information collected by the Company regarding global trends of consumers preference to using recycled products, local regulation and international treaties in the sector, the Company's recycled product operations and additional assessments of the Company as at the report date, which may change from time to time, and their materialization is uncertain and is not under the Company's control. These estimates may not materialize or may materialize in part, if the above global trends strengthen or weaken, if the local cooperation with these trends increases or decreases, according to regulatory developments in the sector, depending on the Company's ability to adjust its operations to these trends, and on changes that may occur in the tastes of consumers in the sector, and due to the other risk factors to which the Company is exposed, as outlined in Section 1.24 below.

1.8.2.9 Raw material prices constitute a key component of production costs in the polymers industry. Following technological developments that made commercial shale gas production viable in the United States, production costs for ethane gas, which is used in the production of ethylene, have gone down. This reduction in prices allows the manufacturers of ethylene and ethylene derivatives, such as polyethylene - which rely on cheap ethane - to increase their competitiveness, as compared to manufacturers which rely on naphtha to manufacture their products. This trend is expected to increase over the coming years, as the investments in projects in these fields have matured and started production; the trend is further expected to be influenced by prevalent market prices for naphtha.

For information concerning the raw materials used by Carmel Olefins and Ducor to produce their products, see also Section 1.8.20 below.

For information concerning polypropylene and polyethylene prices in the reporting period, see Section B, Chapter 1 to the Report of the Board of Directors.

1.8.3 **Restrictions, legislation, standards and constraints that apply to the operating segment -** for further details regarding constraints in this operating segment in terms of: Competition, environmental risks, essential services, and by virtue of other legal requirements, see Sections 1.18 and 1.19 below.

1.8.4 **Changes in the scope of activity in the operating segment and in its profitability in the reporting period -** for details regarding changes in the operating segment's volume of activity and profitability, see Section B in Chapter 2 to the Report of the Board of Directors.

1.8.5 **Market developments in the operating segment or changes in customers' characteristics** - in the global environment, China's recovery from the economic crisis is experienced as a consequence of the Covid-19 pandemic is slow and reduces global growth accordingly. Furthermore, new facilities, which were added during recent years, mainly in China and in the USA, increased the global excess supply of polypropylene and polyethylene in the market, which is experiencing a recession. Manufacturers from across the world reduced outputs throughout the entire supply chain in order to balance out the excess supply.

1.8.6 **Technological changes that may have a material effect on the area of activity**

As stated in Section 1.8.1 above, Carmel Olefins, partly through Carmel Eco, works to increase its use of technologies that allow a circular economy of reusing resources and recycling raw materials.

1.8.7 **Critical success factors in the polymers segment and changes thereto**

The critical success factors in the manufacture of Carmel Olefins Products are the cost and availability of feedstock, Carmel Olefins' ability to operate the production facilities at full capacity over time with minimum malfunctions, and the utilization of efficient production facilities, advanced technologies, and capacity to produce new products according to customers' needs and market trends.

Critical success factors in the sale of Carmel Olefins Products are the demand for products - which are affected, among other things, by the economic conditions prevalent in Israel and around the world, the existence of a well-developed domestic market, high responsiveness to changes in various markets and transitioning between territories according to market trends, reliability of supply, the quality of the supplied products, in addition to playing a leading role in the market, providing customers with technical support, research and development capabilities enabling the introduction of innovative or customized products, as well as the existence of product stock in Carmel Olefins' and Ducor's facilities, as well as geographic proximity to domestic-market customers and to developed international markets, operational agility and ability to accommodate changing market needs and customer preferences according to the various trends, including environmental impacts and recycling, as outlined is Section 1.8.2 above.

1.8.8 **Changes in suppliers and raw materials for the segment**

As stated in Section 1.8.20 below, most of the raw materials required for Carmel Olefins activity are supplied by the Company. However, there are chemicals used to produce polyethylene and polypropylene, which are purchased from suppliers abroad. Some of the quantities of a chemical used in the production process of polyethylene were purchased from suppliers in Turkey. In light of the discontinuation of trade with Israel (see Section 1.7.14.1 above), Carmel Olefins identified alternative import markets.

1.8.9 **Principal entry and exit barriers to the Polymers Segment, and changes thereto**

The main entry barriers to polymer manufacturing are: (a) availability of raw materials at competitive prices; (b) the amount of capital required to construct new plants; (c) the relatively long time required to construct a new plant; and (d) the regulatory approvals required to build and operate polymer production facilities, to build local facilities and to install new equipment needed to produce innovative products; and (e) knowledge and experience, including R&D capabilities to customize products to customers' changing needs.

This segment has no significant exit barriers. Any exit barriers in this area of activity are focused on Carmel Olefins's role in the creation of additional products and added value from the refining process and its products (naphtha, LPG and propylene), for which the Group would otherwise be required to find alternative uses or buyers.

For further details regarding competition in Carmel Olefins' segment and risk factors in Carmel Olefins' operations, see Sections 1.8.18, and 1.23.3.2 below.

1.8.10 **Substitutes for polymer products and changes thereto**

Polymers are convenient and substitutes for wood, glass, aluminum, expensive plastics, etc. Furthermore, as the market penetration of electric and hybrid vehicles continues to increase, polymers may also replace some of the materials currently used in the automotive industry, including to reduce vehicles' weights. Carmel Olefins believes, based on studies carried out by professional entities, that the use of polymers in general and of polypropylene in particular is expected to continue to provide a substitute for these materials for many years.

On the other hand, if the recycling trend noted in Section 1.24.3.7 below continues to develop, it may offer a partial substitute for non-recycled polymers.

Carmel Olefins' assessment regarding the expected use of polymers, as stated above, constitutes forward-looking information, as defined in the Securities Law, which is based mainly on assessments of professional bodies arising mainly from price differences between polymers and the products they substitute. These assessments are expected to materialize in whole or in part if polymers will no longer substitute these products, due to technological or regulatory changes, in which case the polymers market will grow at a rate that is different than currently expected, and therefore there is no certainty that the Company's assessment in relation to these factors will materialize.

1.8.11 **Structure of competition in the polymers segment and changes thereto**

See Section 1.8.18 below.

1.8.12 **Polymers Segment - main products**

1.8.12.1 Carmel Olefins manufactures and markets polypropylene and low-density polyethylene, which serve as raw materials in the plastics industry. These products are sold on pallets, in bulk using road tankers, or in containers (for exports). Ducor manufactures polypropylene, which is used as a raw material in the plastics industry. The main markets are Israel, European Union countries, the UK, Brazil and Argentina.

As part of the Group's policy to develop and manufacture types of polypropylene, which have higher added value, Carmel Olefins and Ducor are attempting is to phase out the manufacturing of commodity-type polypropylene with other types of polypropylene, that offer a higher added value and are sold at a higher price than commodities.

1.8.12.2 For data regarding trends and changes in this segment - see Section B to Chapter 2 of the Report of the Board of Directors.

1.8.12.3 For information about trends and changes in supply and demand for the segment's key products, see Section 1.8.2 above.

1.8.13 **Revenue breakdown and profitability of products**

Since the Carmel Olefins' production is a continuous process in which all of the products are manufactured from raw materials in joint processes that cannot be allocated based on the end products, it is not possible to allocate costs according to classes of products.

For details regarding total polymer revenues in 2023-2025, see Section 1.5 above and for data on the breakdown of the Company's revenues from external customers in and outside Israel, as well as by major product groups in the Polymers Segment, see Notes 28B and 28C to the Consolidated Financial Statements.

1.8.14 **New products**

Carmel Olefins and its subsidiaries are working on the development and expansion of a dedicated product line, whose products may be sold at prices higher than commodity prices. Carmel Olefins is working on diversifying its polyethylene and polypropylene products to niche and unique areas.

Ducor is working on adapting the manufacture of the product mix and obtaining the required certification to sell additional products to the pharmaceutical market (the medical market), after obtaining said consent for one product line.

Carmel Eco develops "white" recycled products with added economic and marketing value.

1.8.15 **Customers**

1.8.15.1 Carmel Olefins' and Ducor's customers are mostly plastics factories which purchase Carmel Olefins' and Ducor's products for use as raw materials in their production of various products.

1.8.15.2 Carmel Olefins and Ducor serve approx. 200 customers in Israel, and over 500 customers abroad. Most of these customers, both in Israel and abroad, have been regularly purchasing Olefins and Ducor products for decades.

1.8.15.3 Carmel Olefins' agreements with its domestic customers are usually master agreements for one-year periods and/or incidental transactions at the customers' request. Master agreements specify the annual or periodic sales quantities and a formula for calculating the price that the customer will pay for the purchased products, while maintaining flexibility for price changes. The agreements include volume-based discounts. Based on these master agreements, customers submit orders, usually on a daily basis. Occasional transactions are closed for a period of one month or more in the domestic and export markets, and volumes, periods and prices are fixed and may not be changed. Future occasional transactions are hedged in accordance with the Board of Directors' guidance. Customers submit orders based on occasional transactions, normally on a daily basis.

In transactions with customers overseas, selling prices are usually determined at arm's-length negotiations at market terms. Some of Carmel Olefins' and Ducor's sales are made under annual agreements, which offer volume-based discounts and are linked to prices posted on international publications (ICIS) or to monomer (the products' raw material) prices. Incidental transactions may carry a fixed price for the entire agreement period.

1.8.15.4 As at the reporting date, there is no customer which generates revenues for the Segment exceeding 10% of the Group's total consolidated sales turnover. Neither the Company, Carmel Olefins, nor Ducor are dependent on any of Carmel Olefins' or Ducor's principal customers.

1.8.15.5 Carmel Olefins has agreements with a syndicate of lenders for the non-recourse sale of some trade receivables, with no binding amount; see Section 6B to the Consolidated Financial Statements.

1.8.15.6 As a result of the special effort made in 2023 to increase the volume of sales in the domestic market, domestic market sales in 2024 were approx. 50% higher compared to 2023. Due to the above, in 2024, the rate of sales in Israel was approx. 54% and the balance (approx. 46%) was overseas; in previous years, most of the segment sales were made abroad and stood at approx. 58% of product sales. In 2025, the percentage of sales in Israel remained similar and stood at approx. 52% and the balance (approx. 48%) abroad. For details regarding the suspension of trade between Israel and Turkey following the announcement of the Turkish Ministry of Trade, see Section 1.7.14.1 above. For a breakdown of sales for the Polymers Segment by geographic region out of Carmel Olefins' total revenues, see Section Note 28C to the Consolidated Financial Statements.

1.8.16 **Marketing and distribution**

1.8.16.1 Sales in Israel are made by Carmel Olefins, directly, to its customers. Sales are based on customer orders received directly by Carmel Olefins employees, and products are supplied to customers from Carmel Olefins' warehouses in the Haifa Bay. Domestic sales are on an ex-works basis, and so delivery is made using trucks dispatched by the customer to Carmel Olefins' warehouses. Supply to customers in Israel is usually made immediately.

1.8.16.2 Carmel Olefins' international sales are carried out through international agents or distributors, and through Ducor, which also serves as a sales agent for Carmel Olefins Products in the Netherlands and adjacent countries.

In addition to acting as Carmel Olefins' agent, Ducor sells directly to its customers, according to orders from customers, which are received directly by Ducor, with most of the products being supplied to the customers' premises. In addition, certain sales are made through agents, which are divided by sales regions.

Carmel Olefins and Ducor are not highly-dependent on these marketing channels, as the polymers sold by Carmel Olefins and Ducor are actively sold by multiple parties (agents and distributors). Carmel Olefins also has direct contact with its customers, and agent commissions match the industry standard.

1.8.17 **Order pipeline**

Carmel Olefins and Ducor's sales are mostly for periods of up to one year and are based both on master agreements, which prescribe price (or a price formula) and quantity, and on spot sale agreements supplied immediately after the engagement date; therefore, information regarding the order pipeline with respect to these activities is irrelevant.

The supply dates of Carmel Olefins Products to its customers varies from customer to customer and range from one business day (for Israeli customers) to approx. 45 business days of the order's placement date. Supply dates are agreed upon between Carmel Olefins and Ducor and their customers, based on their assessment concerning production dates for the relevant product and available stock at the warehouse.

1.8.18 **Competition**

As mentioned above, Carmel Olefins is the sole producer of polypropylene and low-density polyethylene in Israel (as outlined in Section 1.19.4 above, Carmel Olefins was declared a monopoly in the low-density polyethylene market). Carmel Olefins' competitors in Israel and abroad operate in Israel through agents and local distributors.

There are no import duties on importing polypropylene and polyethylene into Israel.

Imports to Israel are incidental, and come from a variety of sources, depending on the export prices in each of the main supply sources (Europe, the US, the Far East, and the Middle East).

In addition to competition on price and quality, the field is subject to competition on parameters such as the ability to customize products to customer's needs, compliance with changing regulations, responsiveness and high-quality service to the customers, etc.

As Israel's sole producer of polypropylene and polyethylene, Carmel Olefins enjoys a certain advantage in Israel over importers of similar products; this is reflected in a high level of accessibility and close physical proximity to customers, close geographic proximity between stock in the facility and customers, and in Carmel Olefins' ability to provide customers with solutions customized to their needs, including customer service and hands-on technical assistance due to its proximity to these customers, including development and production of tailor-made products.

In contrast with its advantages in the domestic market, Carmel Olefins faces relative disadvantages on international markets due to its limited production capacity and its distance from target markets; in facing these challenges, some of Carmel Olefins’ operations are carried out through forward stocking locations in key target markets, and through its subsidiary Ducor, which is located in the Netherlands. Alongside the above, in view of Carmel Olefins’ being a relatively small player in the international market, it is able to respond quickly to changes in the market and to act on opportunities it identifies in various geographic regions.

According to Company estimates, Carmel Olefins’ multi-year average share of the domestic polypropylene market (including import of recycled polypropylene) is approx. 50%. Carmel Olefins' main competitors for this product are Reliance, Ineos, Sabic, Borouge, Braskem, LG. According to Company estimates, Carmel Olefins holds a share of approx. 33% of the Israeli market for all types of polyethylene (including low-density linear polyethylene) products, some of which are substitute products. Carmel Olefins' main competitors for this product are Reliance, Sabic, Braskem, Formosa, Hip, Dow, and Exxon.

Outside of Israel, Carmel Olefins and Ducor do not hold a significant share in any of those markets in which they operate.

As mentioned, overseas, Carmel Olefins has to cope with the disadvantage of remote markets by securing comparatively low-cost shipping options, and by selling to customers in countries (mainly Italy, Brazil, and the UK) where polymer production does not meet local consumption and which subsequently must import polymers. Ducor does not share or hold ownership in any refinery in its operating region and is thus at a competitive disadvantage. Furthermore, the trend towards using of recycled input materials could lead to lower demand for virgin products manufactured by Carmel Olefins.

In recent years, since the Company started using natural gas, it increased the volume of ethane-rich gas, which it supplies to Carmel Olefins. Ethane-rich gases allow Carmel Olefins to elasticity in its manufacturing costs - an ability to use gas instead of naphtha and vice versa, depending on the market environment and price levels, while improving its competitive edge over producers making exclusive use of naphtha as their raw material.

1.8.19 **Production capacity**

As aforesaid, Carmel Olefins' production facilities in Israel operate as a single concern and are mutually dependent on the full, continuous operation of each of the facilities and of the Company's and Gadiv's facilities.

Carmel Olefins operates three main groups of facilities: The monomer facilities group (the naphtha cracker facility and OCU facility which manufactures propylene); the polypropylene facilities group; and the polyethylene facilities group (hereinafter, jointly - "**Carmel Olefins Facilities**"). Production in Carmel Olefins Facilities is carried out at extreme temperatures (from minus approx. 165ºC to 900ºC) and extremely high pressure (up to approx. 1,500 atm). Production processes involve the use of catalysts and peroxides. All the Carmel Olefins Facilities operate as a single concern and are interconnected directly by a pipeline and receive shared services such as electricity, steam, water, storage and other services from a central service system, partially backed by the Company's service mechanism.

The Carmel Olefins Polyethylene facilities' maximum name plate capacity is approx. 170,000 tons a year. As at the reporting date, the effective usage rate of the polyethylene facilities' maximum name plate capacity is approx. 90%. The Carmel Olefins Polypropylene facilities' maximum name plate capacity is approx. 450,000 tons a year. This production capacity is subject to availability of sufficient quantities of propylene and ethylene. As at the reporting date, the effective usage rate of the polypropylene facilities' maximum name plate capacity is approx. 80%, with monomer (feedstock) facilities operating at a corresponding capacity to match the needs of the polymer facilities.

Monomer facility products are manufactured in fixed proportions, such that operational flexibility for changing the ratio of products is limited. Consequently, significant changes to the polymer production mix, based on feedstock supplied primarily by the monomer facilities, are limited.

Since Carmel Olefins' facilities operate as a single group, a slowdown in production in one of Carmel Olefins' facilities may lead to a slowdown in production in all other facilities. Thus, if operations slow down in one of the monomer facilities and Carmel Olefins' polymer production facilities will continue to operate at full capacity, feedstock stores would be depleted quickly and operations in the polymer facilities will slow down due to a shortage of feedstock. If operations slow down in each of Carmel Olefins' polymer facilities and the monomer production facilities will continue operating at full capacity, feedstock/byproduct storage containers would quickly become full and the monomer facilities would be forced to slow down their operations. A slowdown in the monomer facilities would reduce their output, both of ethylene and of propylene, such that all polymer facilities would slow down operations; such a slowdown may also affect the activity of the fuel production facilities in the Refining Segment.

On the Carmel Olefins Facilities' regular operation's dependence on the operation of the Bazan Group facilities in general, see Section 1.8.20.1 below.

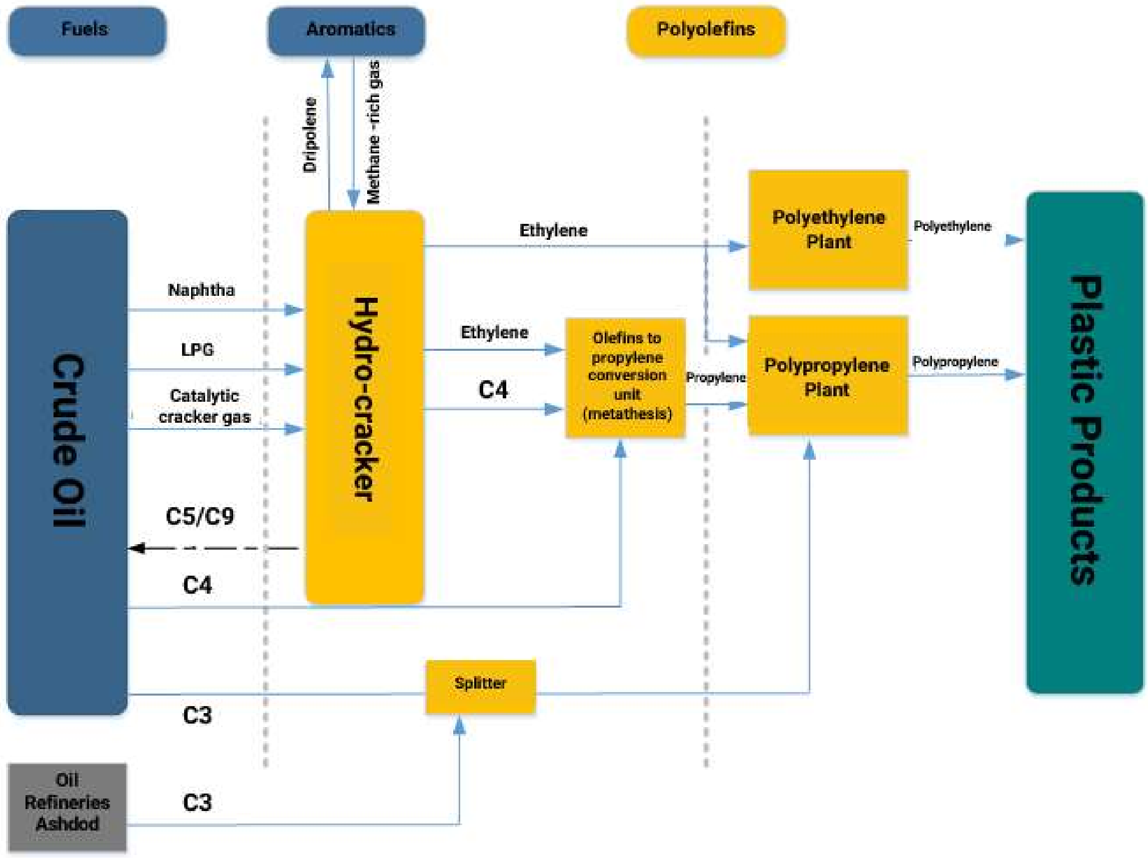
Ducor's polypropylene facilities have a maximum name plate capacity of approx. 180,000 tons a year. In general, the effective utilization rate is approx. 85% of the maximum name plate capacity.

The facilities of Carmel Olefins and Ducor operate continuously without interruption, with the exception of planned downtime for routine maintenance or periodic servicing, and due to operational incidents and malfunctions (for information about the Company's expectations and preparations for handling such events, see Section 1.7.19 above), as stated in Section 1.7.19.8 above, during 2028, the Company plans to conduct periodic maintenance work at all of Carmel Olefins' facilities.

1.8.20 **Raw materials and suppliers**

1.8.20.1 As outlined above, Carmel Olefins Facilities are downstream facilities to the Company's facilities, such that they are continuously fed, through a pipeline, with the bulk of their required feedstock, from the Company, and return feeds to the Company which are manufactured in Carmel Olefins Facilities or unutilized parts of the said raw materials and feedstock. Thus, Carmel Olefins Facilities are dependent on the normal operation of the Bazan Group's facilities; disruptions or shut-downs of the Bazan Group's facilities will undermine operations, or even lead to corresponding shut-downs, of Carmel Olefins facilities.

1.8.20.2 The following is a flow chart of the production process:



1.8.20.3 The majority of feedstock in polymer production (ethylene and propylene) are produced in Carmel Olefins' monomer facilities.

1.8.20.4 The principal raw materials in the production of ethylene and propylene are naphtha, LPG and synergy gases.

Carmel Olefins buys its principal raw materials from the Company. Carmel Olefins also buys from the Company propylene (including propylene sourced from Oil Refinery Ashdod[18]) and butane C_4. For information on the agreements between the Company and Carmel Olefins for the supply of Carmel Olefins' raw materials, see Note 7C to the Company's Separate Financial Statements as at December 31, 2025.

1.8.20.5 Carmel Olefins produces its own ethylene (from naphtha, LPG and synergy gases).

More than half of the propylene used by Carmel Olefins is self-produced in its monomer facilities, which include the cracker facility (from naphtha and LPG) and the OCU facility (from ethylene and components of the butane-C4 feed). The remaining required propylene is produced by the Company and Oil Refinery Ashdod, and purchased by Carmel Olefins from the Company.

1.8.20.6 Most of the raw materials required by the monomer facilities are supplied by the Company; therefore, Carmel Olefins is dependent on the Company.

In 2024 and 2025, raw materials purchased from the Company directly and/or indirectly accounted for approx. 85% and approx. 89% in each of the years, respectively, of Carmel Olefins' yearly total raw material purchases.

1.8.20.7 Propylene used by Ducor as raw material is manufactured by various suppliers, and received continuously through pipelines, and/or by barges and ships. Ducor has diverse sources of propylene in Western Europe; these provide Ducor with the bulk of its propylene requirements. Ducor is not dependent on any of its individual propylene suppliers. Changes in Ducor's ties with its suppliers may adversely affect its results.

1.9 Trade Activity

The Company's trade and shipping operations are carried out through its subsidiaries, ORL Trading and ORL Shipping.

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[18] According to the Company's agreement with Oil Refinery Ashdod for and on behalf of Carmel Olefins. Under the agreement, which was extended and amended on August 31, 2022, ORA undertook to supply the Company and the Company undertook to buy a minimum annual quantity of between 80,000 and 105,000 tons of propylene, with a certain amount of flexibility as agreed by the parties. At the same time, the Company undertook to sell to Oil Refinery Ashdod a monthly feed of propane at such quantities as stipulated in the agreement; however, Oil Refinery Ashdod has an option to request a smaller quantity of propane. The extended agreement period is for seven years starting on June 1, 2022. Each of the parties has an option to terminate the agreement with written notice of at least three years.

The Company, through said subsidiaries, leases vessels for maritime shipping of crude oil and/or oil products and uses them to transport materials it purchases or sells; the Company also leases those tankers to various entities under one-way leases. In addition to leased vessels, the Company also has in place contracts for commercial management of vessels. As at the report publication date, the number of vessels (leased and under commercial management) is four, with a capacity of approx. 30,000-38,000 tons each, mostly under one-year leases. One of these tankers leased by the Company is an Israeli-controlled vessel, as this term is defined in the Shipping Law (Permit for Israeli Control of Foreign Vessel) 2005.

The trade activity may also include trade of crude oil and its products for purposes other than Group companies' manufacturing activities, and/or for the purpose of purchasing raw materials and selling products to third parties for Group companies.

The Company's trade activity is based primarily on opportunities that arise in the market, due to changes in the prices of crude oil and its products, and due to price differences between the various markets and between various types of oil and oil products. Due to the high volatility in the economic viability of such trade transactions, the scope of the Company's trade activity varies greatly between various reporting periods and within each reporting period. In recent years, no transactions of significant scope were conducted. For further details regarding the prices of crude oil and oil products and the factors that affect the supply of crude oil and its products, and factors and trends relating to consumption of oil products, see Sections 1.7.2.2.3 and 1.7.2.2.4 above.

Most of the activity involving leasing of vessels from various entities, leasing them to other parties and their commercial management is conducted with foreign customers and suppliers; part of this activity is used to serve the Company's activities. Furthermore, for details regarding this topic, see also Note 12C to the Consolidated Financial Statements. The trade activity is also conducted with foreign customers and suppliers, such as: oil companies and refineries, trading companies and more. It is noted that during the reporting period, in view of the effects of the Iron Swords War and Operation Rising Lion and the substantial reduction in the movement of ships to and from Israeli ports due to the effects of the War, the Group continued its trade activity thereby securing and contributing to the continuity of the Israeli energy sector's activity. With regard to this matter, see also the instructions given to the Company by the Fuel and Gas Administration (FGA) in Israel regarding the purchase of fuels and export restrictions, as stated in Section 1.7.5 above.

1.10 **Investment in Oil Asset**[19]

1.10.1 In August 2025, the Company finalized binding investment agreements with Cantium, an American private corporation operating in the field of oil production in the Gulf of America, USA.

As stated in Section 1.2.3 above, the Company's investment has been made through the Acquisition Partnership, which was established for the purpose of acquiring full ownership (100%) of Cantium. The Acquisition Partnership is managed by the general partner, Community SPV GP LP (hereinafter – the "**General Partner**").

The Company (through Energil LLC, see Section 1.1.3 above) holds approx. 52% of the equity interests in the Acquisition Partnership, alongside additional rights granted by virtue of its capacity as a strategic investor. The Company has invested USD 100 million in the Acquisition Partnership.

1.10.2 Structure of Cantium's area of activity and changes therein

1.10.2.1 The US is the world's largest producer and consumer of oil and natural gas, and its oil consumption accounts for approx. 20% of global oil consumption. The US energy market is developed, most of the output is sold to the domestic market and prices are affected by the relationship between supply and demand.[20] In addition, storage capacity enables a secondary market, during seasons in which there are not enough end consumers for all the quantities produced.

1.10.2.2 According to the findings of the U.S. Energy Information Administration (EIA), as at 2023, the main sources of energy consumed by the United States are oil (approx. 38%), natural gas (approx. 36%), coal (approx. 9%), nuclear energy (approx. 9%) and renewable energies (approx. 9%).[21]

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[19] As defined in Section 19A(b) to the First Addendum to the Securities Regulations (Details of a Prospectus and Draft Prospectus - Structure and Form), 1969.

[20] According to the 2025 Statistical Review of World Energy report of the Energy Institute (hereinafter - the "**EI Report**"). See: https://www.energyinst.org/statistical-review

[21] See: U.S Energy Information Administration, U.S. energy facts explained - consumption and production https://www.eia.gov/energyexplained/us-energy-facts/

1.10.2.3 According to the annual energy forecast published by OPEC in July 2025, [22]global demand for oil and natural gas is expected to increase steadily over the coming decades, and the main drivers of such increase are the transportation sector (despite the increase in the number of EVs), economic growth and population growth. In view of the growing demand in the US economy and abroad, oil production in the US is expected to reach record volumes during 2030, and levels of oil and natural gas production are expected to remain high through 2050. In accordance with the expected increase in production, exports of oil and natural gas from the US are also projected to reach record levels in the coming years, and the US will remain a net exporter.

1.10.2.4 Cantium operates mainly in the US market, and its activity is focused mainly on production and sale of oil and gas in the Gulf of America.

1.10.2.5 For further details regarding the oil segment and the changes therein, see Sections 1.7.2.2.1 ,1.7.2.2.3 and 1.7.2.2.4 above.

1.10.3 <u>Restrictions, legislation and special constraints applicable to Cantium's area of activity</u>

1.10.3.1 Regulation: oil and gas exploration, development, and production in the United States is highly regulated, both at the federal and the state level. Various legislative provisions regulate the exploration, development, and production of oil and gas, regulating – among other things – drilling and exploration permit grants; well locations; drilling, plugging, and abandonment methods; removal of the materials used for well drilling and abandonment; the duty to pay royalties to the State or the Federal Government (if they own the land on which production is carried out); interstate transportation of oil and gas in the United States; matters relating to the protection of workers' health and the safety of the work environment; and environmental protection matters. In addition, the activity is subject to complex and evolving US regulation, including licensing requirements, restrictions pertaining to taxation, environmental protection, supervision of foreign investments in the country, anti-corruption law, and money laundering.

[22] OPEC – World Oil Outlook 2050 https://www.opec.org/assets/assetdb/woo-2025-1.pdf

1.10.3.2 Asset retirement obligations (ARO): Producing licensees are required to provide collateral under the law and the terms of the licenses with respect of a decommissioning, plugging and abandonment obligation of the existing facilities in the areas of the offshore licenses, which include development and production drillings, and to provide a financial collateral if they do not meet the investment-grade credit rating criteria or if the value of proven oil and gas reserves in the assets in which they serve as operators did not meet a certain ratio with regard to the decommissioning obligations.

1.10.3.3 In this context, it is noted that in addition to the ARO by virtue of the law, Cantium also has a contractual obligation toward Chevron (from which Cantium's assets were acquired upon its founding) to continue fulfilling the ARO obligations, with respect to which collateral were provided. The Company believes, based on a legal opinion, that the abovementioned ARO is solely Cantium's obligation and the Company is not expected to have a material exposure in respect of this obligation.

1.10.4 <u>Changes in Cantium's area of activity and its profitability in the reporting period</u>

The global oil and gas industry is heavily affected by geopolitical events, changes in supply and demand levels and crude oil prices, which are highly volatile. Among the major factors affecting crude oil prices is the volume of oil supply from OPEC+ countries (Organization of the Petroleum Exporting Countries and Allies), the volume of oil supply from non-OPEC+ countries, as well as the global demand for crude oil. Crude oil prices are also affected by production abilities and their costs, and by the development of cleaner or cheaper energy production abilities.[23]

Cantium's actual results are mainly affected by the volume of production and the West Texas Intermediate (WTI) price, which is one of the key price benchmarks in the global oil market.

1.10.5 <u>Market developments in Cantium's area of activity or changes in its customers' characteristics</u>

1.10.5.1 The main market in which Cantium operates is the global oil and gas market, which is characterized by high price volatility. A material market development is the global trend of switching to renewable energies, which may affect the demand for the area of activity's products in the long-term.

1.10.5.2 For details regarding Cantium's customers, see Section 1.10.12 below.

[23] The general information contained in this section is mainly based on the World Energy Outlook 2025 global energy forecast. International Energy Agency. To view the full forecast report: https://www.iea.org/reports/world-energy-outlook-2025.

1.10.6 Technological changes which may have a material effect on Cantium's area of activity

1.10.6.1 In recent decades, there have been technological changes, which have improved exploration and development abilities and the quality of data available to those conducting oil and natural gas exploration. In addition, technological improvements will streamline drilling and production works and consequently corporations conducting oil and natural gas exploration, such as Cantium, can conduct more efficient exploration and drilling.

1.10.6.2 Furthermore, in recent years there has been an increase in the development and implementation of artificial intelligence (AI) and machine learning (ML) technologies; the increased use of these technologies leads to an increase in demand for energy in general, and electricity in particular. This trend also affects energy markets.

1.10.6.3 For details regarding additional technological changes in the segment, see Section 1.7.6 above.

1.10.7 Critical success factors in Cantium's area of activity and changes therein

The critical success factors in the oil and gas production segment are as follows:

1.10.7.1 Efficient, safe and non-interruptible operation of the production facilities;

1.10.7.2 Ability to expand the oil and gas reserves base;

1.10.7.3 Existence of human capital with knowledge, experience and engineering, technical, financial and commercial capabilities to develop the projects;

1.10.7.4 Effective management of regulatory and environmental undertakings.

1.10.8 Principal entry and exit barriers to the area of activity and changes therein

1.10.8.1 The main entry barriers to Cantium's area of activity are:

1.10.8.1.1 The need to make substantial capital investments;

1.10.8.1.2 The need to have access to complex and expensive knowledge and technology;

1.10.8.1.3 The need to obtain licenses and regulatory approvals.

1.10.8.2 Cantium's main exit barrier from this segment is the high costs associated with decommissioning and environmental restoration of wells and facilities (ARO).

1.10.8.3 The Company's main exit barrier from this segment is the ability to dispose of an illiquid holding.

1.10.9 Alternatives to Cantium's Segment Products and changes therein

1.10.9.1 Similar to the global oil and gas industry, the United States is also experiencing the effect of the global trend of switching to renewable energies, such as solar energy, driven by global policies aimed at reducing GHG emissions. This trend may affect future demand for oil and gas.

1.10.9.2 However, the implementation of the switching process involves considerable challenges, which are expected to hinder the achievement of the net zero emissions targets set by most countries around the world, such as: lack of profitability, instability of green energy as a source of electricity generation, issues across the value chain, technological and regulatory obstacles, etc. Secondly, renewable energy does not fully substitute oil and gas. Renewable energy is mainly used for power generation, but only a negligible share of the world's oil consumption is used for power generation.

1.10.9.3 Furthermore, most of the world's oil consumption is made by the transport industry (consisting mainly of air transport, maritime transport and heavy road transport, in most of which an alternative for oil has not yet been found), and a considerable proportion of consumption is made by the industrial, construction, and petrochemical sectors. These sectors have not yet found a substitute to oil, and it is unclear when a commercially available solution will be found, which will enable the switching.

1.10.9.4 The election of Trump as President of the United States in the 2024 elections led to a reversal of environmental regulations and renewed support for traditional fuel industries; this included the "One Big Beautiful Bill", which was passed by the US House of Representatives in May 2025, which, among other things, reduced tax benefits for green energy. However, the effect of these changes may be limited, since many US states continue to promote policies, which support renewable energy, and the economic viability of these energy sources has substantially improved in recent years. Furthermore, many US companies have committed to ambitious climate targets and to purchase energy from renewable sources, regardless of federal government policies.

1.10.10 Competitive structure of Cantium's area of activity and changes therein

1.10.10.1 The oil and gas industry in the Gulf of America is highly competitive. Cantium competes with a wide range of companies, from small operators to large international energy corporations with extensive financial and operational resources.

1.10.10.2 Furthermore, oil is used as a combustion agent and is sold to entities, which produce fuel for vehicles, electricity producers, and industrial and private customers. Generally, a full alternative for oil as a source of fuel for traditional vehicles and aviation is yet to be found; however, the market for vehicles powered by alternative energy sources such as natural gas and electricity has gain traction. The alternatives for oil and natural gas with regard to other uses thereof are other fuels, including coal, and electricity generated from renewable energies. Another energy source, which is being assessed as a significant alternative for oil, is hydrogen; however, the assessment is still in the research and development stage aimed at reducing production costs. In addition, oil and natural gas serve as alternatives for one another.

1.10.11 Main products in Cantium's area of activity

1.10.11.1 The main product produced and sold by Cantium is crude oil; it also produces byproducts such as natural gas.

1.10.11.2 In addition, Cantium develops and expands the provision of abandonment services through a specialized subsidiary, which has executed the abandonment of hundreds of wells.

1.10.12 Customers, marketing and distribution

To date, Cantium has sales agreements with a small number of energy resellers and traders, which buy 100% of the oil and gas produced under binding agreements for fixed periods. At the same time, given that crude oil is a commodity and that alternative buyers are readily available, Cantium believes that the loss of any one of its major customers would not materially affect its ability to market the oil produced in the future.

1.10.13 Order pipeline

As stated in Section 1.10.12 above, segment sales are mainly based on agreements for fixed periods and on spot prices, and therefore information regarding order pipeline is not relevant to the segment.

1.10.14 Competition

See Section 1.10.10 above.

1.10.15 Seasonality

Cantium's operational activity in the Gulf of America is substantively affected by the hurricane season, which may result in production shutdowns, damage to facilities, and delays in schedules.

1.10.16 Production capacity

Cantium's production volume during August-December 2025 stood at approx. 2,285 thousand barrels of oil (100%), 2,540 thousand barrels of BOE[24] (100%), i.e. the Company's share (52%) was approx. 1,188 thousand barrels of oil and approx. 1,321 thousand barrels of BOE. See also Chapter 1 of the Report of the Board of Directors. It is noted that the production rate is not constant and is contingent on various factors, including, among other things, the depletion rate, further discovery of resources, malfunctions, weather, etc.

1.10.17 Financing

1.10.17.1 Cantium's activity is financed, among other things, through credit facilities and loans, which are subject, among other things, to financial covenants, and to distribution restrictions, which may affect Cantium's financial flexibility and ability to make distributions.

1.10.17.2 In accordance with the provisions of Cantium's credit agreement, Cantium entered into commodity derivatives, which include swaps and costless collar contracts, for the purpose of creating economic hedges at a fixed price for that portion of the expected oil and gas production from its reservoirs classified as proved, developed producing reserves (PDP). As at December 31, 2025, Cantium entered into hedge transactions, such that its total derivatives cover approx. 40% to 50% of the monthly PDP values through September 30, 2027, as required under the credit agreement.

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[24] Includes oil barrels and byproducts such as NGL and natural gas.

1.10.17.3 Immediately prior to the report approval date, the Acquisition Partnership and an Israeli banking corporation entered into a finance agreement totaling approx. USD 100 million (hereinafter - the "**Loan**") - designed to replace a portion of an existing loan to finance Cantium's activity and repay some of the owner's equity provided by the Company and the other investors under Cantium's Acquisition Transaction. The Loan is in a bullet loan for a maximum period of 5 years with interest repayments based on a semi-annual SOFR interest plus a spread under a project finance format. The Loan includes undertakings and financial covenants as is generally accepted in agreements of this type, including a cash-sweep mechanism should the borrower (the Acquisition Partnership) fail to comply with certain covenants as detailed in the finance agreements. The Company believes that the Acquisition Partnership's taking out the Loan will enable a withdrawal of approx. USD 25-30 million (the Company's share) by way of distribution and/or repayment of a shareholder loan.

The Company's above assessment regarding this exposure constitutes forward-looking information, as defined by the Securities Law. This assessment may not materialize or may materialize only partially, since it depends on the resolution of the Board of Directors of the Acquisition Partnership's General Partner, which is affected, among other things, by the business environment, factors which are unknown to the Company and are outside its control.

1.10.18 Raw materials and suppliers

Most of the ongoing activity is carried out through Cantium's inhouse professional functions, which are responsible for the performance of professional services such as exploration, drilling, maintenance, development work, etc.; in addition, various services are outsourced (including for the long-term) to professional entities.

The development activity of the existing licenses, in accordance with the Work Plan, is contingent upon the availability of and engagement with drilling rigs.

In addition, Cantium acquires rights of use pertaining to geophysical and geological data from specialized companies.

1.10.19 Cantium's proven reserves of (1P) as at January 1, 2026, are estimated at approx. 37 million barrels of oil (approx. 42.6 million BOE) and its proven + probable reserves (2P) as at January 1, 2026, are estimated at approx. 49.4 million barrels of oil (approx. 55.8 million BOE).[25]

1.10.20 Cantium's financial results are mainly affected by the number of oil barrels produced and by their effective price, which is based on the West Texas Intermediate (WTI) price - one of the key price benchmarks in the global oil market.

1.10.21 Following are Cantium's key financials (in USD million) for the two years which preceded the Acquisition Transaction year:[26]

On-balance sheet data	**As at December 31, 2023**	**As at December 31, 2024**
Total assets	611	679
Total liabilities	419	438
Total equity	192	241

Profit and loss data	**For the period of one year ended December 31, 2023**[27]	**For the period of one year ended December 31, 2024**
Total revenues	500	473
Depreciation and other expenses[28]	137	133
Operating profit	140	155
Net income	143	158

1.10.22 Following are additional data (net – less the royalties to the authorities)

Additional data	**As at December 31, 2023**	**As at December 31, 2024**
Annual production (in barrels)	6.2 million	6.2 million
Annual production (BOE)[29]	6.7 million	6.7 million
Effective price per BBL	USD 77	USD 75

[25] On a net basis, Cantium's share.

[26] US GAAP data are audited by Cantium's independent auditor. Figures are rounded. It should be noted that Cantium is a see-through entity for tax purposes and the presented data is therefore pre-tax, but less the royalties to the US authorities at a weighted rate of approx. 15%.

[27] In 2023, Cantium recorded a one-off expense in respect of a dry-hole totaling approx. USD 43 million.

[28] "Others" includes a change in the decommissioning liability of oil and gas assets due to the passage of time.

[29] Includes barrels and byproducts such as NGL and natural gas.

1.10.23 For further details regarding the financial results of the Acquisition Partnership, see Note 9C to the Consolidated Financial Statements and the Acquisition Partnership's financial statements attached to the Consolidated Financial Statements.

1.10.24 In accordance with the Cantium Report (as detailed below), as is customary in such transactions, the General Partner will be entitled to regular management fees, as well as performance fees, which will be payable after the limited partners (including the Company) fully recoup their investment, plus an annual return at the agreed-upon rate between the parties. During the reporting period, the Acquisition Partnership recognized expenses totaling approx. USD 0.8 million in current management fees to the general partner and approx. USD 0.1 million in directors' fees to the Company.

1.10.25 For further details regarding Cantium and the acquisition transaction, see Section 6 to the revised Description of the Corporation's Business in the report of the second quarter of 2025, published by the Company on August 11, 2025) (Ref. No. 2025-01-059227 and the Company's immediate report as at August 4, 2025 (Ref. No.: 2025-01-057441) (hereinafter - the "**Cantium Report**"), the details of which are included herein by way of reference, as well as Note 20B(6) to the Consolidated Financial Statements.

Part C - Additional Information about the Company

1.11 **Property, plant, and equipment**[30]

1.11.1 The facilities of the Company, Carmel Olefins and Gadiv, are located in a single compound over a total area of approx. 2,500 dunams in Haifa Bay (hereinafter in this Section 1.11 - the "**Compound**"). The Company's facilities include initial distillation units (crude distillation), hydrogen and catalytic cracking facilities and catalytic reformer units (responsible for the fuel product refining and finishing processes), other production units (for the production of bitumen, hydrogen, and isomert used as a gasoline component), and asphalt production), sulfur treatment facilities, infrastructures (buildings, storage tanks, pipelines, etc.) and service facilities (energy center, water treatment, effluents treatment, fire safety).

Carmel Olefins' facilities include a group of monomer facilities (a cracking facility and the OCU plant), a group of polyethylene facilities and a group of polypropylene facilities.

Gadiv's facilities include facilities for BTX (benzene, toluene, and xylene) refining from feedstock, and production plants for paraxylene, solvents and solids.

Ducor's facilities in the Netherlands house polypropylene production facilities.

Carmel Eco's facilities in Kibbutz Yas'ur house facilities for washing and palletizing plastic waste.

1.11.2 For details regarding the processes in the Company's facilities - Carmel Olefins and Gadiv - see above for details regarding each of the areas of activity (Sections 1.7 and 1.8 above), and regarding the efficiency and capacity of the Group's facilities, see Section 1.7.19.7 above.

1.11.3 For details about the depreciated cost of property, plant and equipment as at December 31, 2025, and the various types of property, plant and equipment, including the accumulated depreciation thereof, see Note 11 to the Consolidated Financial Statements.

1.11.4 For details regarding the Asset Agreement signed on January 24, 2007 between the Company and the State, see Note 12B1 to the Consolidated Financial Statements.

1.11.5 On March 6, 2022, the Government resolution on the strategy to develop and promote the Haifa Bay was authorized. For further details regarding the government resolution, see Note 20C to the Consolidated Financial Statements.

[30] For a description of the Company's rights in assets, also see Note 12B to the Consolidated Financial Statements.

1.11.6 Also in the context of the compound, it is noted that the Company filed a claim for monetary remedy for loss of income and expenses incurred and which will be incurred by the Company due to the decision of the Accountant General at the Ministry of Finance, the Director General of the Israel Land Authority and the Director General of the Ministry of Energy (hereinafter in this subsection the "**Directors General**") regarding the failure to grant permission to rezone the Company's land in the compound over an area of approx. 160 dunams and leasing it out. As part of the claim, the Company argues that the Director Generals' decision not to approve the designation change constitutes a breach of the provisions of the abovementioned Asset Agreement, which was signed between the Company and the state in 2007. The claimed amount, which stands at a total of approx. USD 47 million, is derived from loss of rental profits, which were expected to be received for a period of ten years with an option to extend by five further years, as well as from current municipal tax costs, which it may bear during the period. The legal proceeding is currently in the evidentiary stage.

1.11.7 <u>Municipal regime applicable to the compound area</u>

The land of the petrochemical plants in Haifa Bay, including that of the Compound, is incorporated in the Haifa municipality. In accordance with the agreement signed in 2006 between the Group's plants and the Haifa municipality and other adjacent municipalities (hereinafter - the "**Municipalities Agreement**"), a joint municipality-owned corporation was established, which is owned by the local authorities whose boundaries are adjacent to the Bazan compound, which determines the services that are to be provided by the joint municipality-owned corporation. All capital rights and most voting interests therein are held by the councils and the rest of the voting rights by the plants. The Municipalities Agreement refers to the provision of services in the Bazan compound, including the setting of rules, and also to various other issues, such as planning and development, business licensing, equitable applicability of the Haifa municipality bylaws, etc. In 2017, a demand was sent to Haifa Municipality and the joint municipal company to apply the mechanisms prescribed in the Municipalities Agreement regarding the provision of services by the municipal company as aforesaid, and since then the subject has been under negotiation between the Company and the local authorities, whose boundaries are adjacent to the Bazan compound. The Municipalities Agreement further stipulates that Haifa bylaws will apply to the plant area and will be applied equally to the other areas of Haifa. Pursuant to the Municipalities Agreement, a joint planning and building committee comprising representatives of the local councils and the relevant government miniseries operates in respect of the compound.

For details regarding the increase in the Municipal Property Tax rate applicable to the Group's Haifa Bay compound, see Note 20A1 to the Annual Financial Statements.

For details regarding the settlement signed between the Company, Carmel Olefins and Gadiv and the Haifa Municipality, regarding the payment call the Municipality of Haifa made to the Company, to Carmel Olefins and to Gadiv in 2023 because of the open public areas Levy, see Note 20A1 to the Consolidated Financial Statements for 2023, published by the Company on March 14, 2024 (Ref. No.: 2024-01-022150), included herein by way of reference.

1.11.8 In 2014, the Haifa District Planning and Building Committee approved, with conditions, an outline plan for the land on which the facilities of the Group Companies are situated, regulating the planning of this compound, including provisions regarding future construction therein (hereinafter - the "**Outline Plan**"). On June 6, 2017, the National Planning and Building Committee decided to approve the Outline Plan with modifications set out in the plan. In March 2018, following the dismissal of several petitions filed against it, the Outline Plan was published in order to enter it into force. Appeals were filed with the Supreme Court against the District Court's decision to dismiss the petitions filed against approval of the plan. In July 2019, the Supreme Court issued a ruling on the appeals filed against the foregoing judgment of the Haifa District Court of Administrative Affairs, returning the plan to the National Council for establishment of further provisions in the plan.

In view of the Supreme Court's ruling, on December 1, 2020, the National Council made a decision (hereinafter - the "**Decision**") setting out the definition of "a facility that has a considerable impact on the environment", which includes a facility, pipeline, tank or building in respect of which certain conditions in the field of hazardous substances, air quality and water pollution prevention are met. This definition, among other things, requires the construction of new production facilities that have a significant impact on the environment to be carried out with a detailed plan; the plan also stipulates, among other things, that additions and changes to existing facilities and replacement of an old facility with a new one will not require a detailed plan if the addition does not constitute or become a "source of risk" and/or constitute an "emission source" requiring a permit and does not increase emissions beyond 20% of the threshold quantity in the Environmental Protection Law (Emissions and Transfers to the Environment - Report and Register Requirement), 2012, and the replacement of an old facility with a new one will not require a plan provided that the new facility will be used for the same purpose in the production process and related phases. On January 4, 2021, the amended plan was published in the Official Gazette for validation.

In September 2023, the National Planning and Building Council approved NOP 75 for the Haifa Bay area, intended to develop the Haifa Bay, while rezoning the areas and clearing the petrochemical industries from them, following on the government resolution dated March 6, 2022 regarding the strategy for developing and promoting the Haifa Bay. On December 11, 2023, the plan was approved by the Ministerial Committee for Interior Affairs, Services, Planning and Local Government. For further details regarding NOP 75 and regarding the government resolution, see Note 20C to the Consolidated Financial Statements.

1.11.9 Ducor's facilities are located in an overall area of approx. 127 dunam at the Rotterdam Port, The Netherlands (hereinafter - "**Ducor Site**"), which are leased from the Rotterdam Port for a 10-year period ending in 2029, for annual lease payments, which are immaterial for the Company; (Ducor has three options, the first one allows it to extend the lease by 15 years and the subsequent ones - by 25 years each, until 2084).

Ducor is obligated to decontaminate the land at the Ducor Site for pollution caused by it, if any, in the period in which it leases the land. In the Company's opinion, based, among others, on the assessment of an expert, the Group is not expected to have material exposure due to the obligation to decontaminate the land. For further details, see Notes 12B3 and 17 to the to the Financial Statements.

The Company's assessment regarding this exposure is forward-looking information, as defined by the Securities Law. The Company's assessments are based, among other things, on the findings of an environmental protection expert. The Company's assessments may not materialize, inter alia, if errors are discovered in the environmental protection expert's findings and/or if the letter of compensation sent to the Company in this regard for the lease term preceding the acquisition of Ducor by the Company is not honored or if Dutch law is amended. Therefore, there can be no certainty that the Company's assessment regarding the exposure involved in the said obligation to decontaminate the land will materialize, and there is no certainty as to the how the Company handles them and the costs involved.

1.11.10 Carmel Eco's facilities are located in an area of approx. 2.3 dunam in kibbutz Yas'ur (under a lease agreement that was signed and extended from time to time) between Carmel Eco and kibbutz Yas'ur for a period ending December 31, 2026.

1.12 <u>R&D and Innovation in the Group</u>

1.12.1 As a rule, the Group Companies usually purchase the know-how needed for their operations from external know-how suppliers, which are international companies specializing in developing and selling know-how for the refining and petrochemical industry.

Knowhow needed for the Group's companies to reduce the environmental emissions from their energy generation facilities, was acquired from specialized knowledge suppliers.

1.12.2 **The Group's innovation activity**

1.12.2.1 The Group companies attribute great importance to promoting and adopting innovation and are working to locate and implement new technologies in the specialist fields of the Group's activities and in other areas in which the Group has chosen to focus strategically, including through collaborations, pilots and POCs. This activity allows the Group to examine alternative and complementary solutions to its core products or solutions to enhance the current core activity, and which will add value to the Group and contribute to its efforts to protect natural resources and the environment.

The innovation activity focuses on the following areas: Industry 4.0 and operational efficiency, hydrogen and alternative fuels, energy efficiency, green polymers and environmental technologies.

1.12.2.2 The Group's innovation activity is carried out under the Open Innovation model - through an innovation center which operates in the Bazan compound and serves as a platform for the Group's direct activity with startups, entrepreneurs, and researchers, creating an internal and external ecosystem, which enables the integration of new technologies in areas identified as strategic. The innovation activity constitutes a material component of the Group's transformation processes by creating new capabilities, reinforcing and "invigorating" core activities, digitizing and streamlining operations, creating new business opportunities and positioning the Group as the leading actor in the ecosystem.

1.12.2.3 The innovation activity includes operating activities involving the relevant actors in the ecosystem, such as: the Israel Innovation Authority, the Office of the Chief Scientist at the Ministry of Energy, energy communities, academic institutions, various accelerators, incubators, funds, and more, in order to maximize the exposure to innovative technologies.

1.12.2.4 The innovation activity focuses on synergy between operations providing synergy and added value to the Group's operations, which improve and streamline processes and/or whose joint activity with the Group Companies generates added value for the Group and/or potentially serves as a growth engine.

1.12.2.5 In 2020, the Group - through its innovation arm, together with EDF Renewables and in collaboration with Johnson Matthey - established an ESIL supported by the Israel Innovation Authority, which - to date - invested in 15 ventures.

1.12.2.6 In 2022, the Group's innovation center partnered with Quantum Hub, which works to create collaborations between the hub's partner companies and startups in the Israeli ecosystem and accordingly, the startups are assessed for the implementation of pilots and POCs using technologies relevant to the Group. The companies participating in the hub include Taavura, Talkar, Hyundai and VDL.

1.12.2.7 During April 2025, along with other partners, the Company won the tender of the Innovation Authority to establish a new technology incubator and venture capital fund – Square 1 Labs.

Square 1 Labs will work to establish, invest in and finance dozens of deep tech companies in Israel, in the fields of energy, industry, data center infrastructures and robotics.

Square 1 Labs has raised over USD 30 million from a number of entities, including the Innovation Authority with a total budget of NIS 40 million, the Company, Epcon, Elements VC (a venture capital fund for energy and climate technologies backed by Enlight), Rad Bynet and other entities.

1.12.2.8 Dozens of the Company's employees work in the Group’s innovation center and constitute the innovation teams. The innovation team assesses innovative technologies, provides professional assistance to the selected ventures and supports the pilots implemented in the Group.

1.12.2.9 In its capacity as the largest hydrogen producer in Israel, the Group promotes innovation in the field of hydrogen for various uses as part of the global trend of developing and expanding the use of hydrogen as a "clean" energy source. As part of the Group's hydrogen activity, a hydrogen compression system for the transportation of hydrogen used in transport was constructed, and the first hydrogen fueling station in Israel was constructed at the Yagur Junction in partnership with Sonol; a hydrogen-powered truck was purchased and a hydrogen-powered bus was ordered. As part of the innovation activity, the Group examines involvement in technology companies and initiatives in the field of hydrogen with relevant players in the economy for the advancement of the hydrogen economy and the establishment of the Hydrogen Valley in Israel.

1.12.3 **The development activity in the polymers area**

Carmel Olefins carries out R&D to customize existing products and develop special types of polypropylene- and polyethylene-based products as follows:

Updating existing products and tailoring them to the requirements of the Company’s customers.

Developing special types of polypropylene - quality types for special industries, with which it is possible to achieve a high economic contribution to a product, price stability, such as a range of products for the automobile industry or groups of unique transparent and unbreakable polypropylene products suitable for various applications, such as storage boxes and suitcases.

Developing special types of polyethylene - special, high quality with Carmel Olefins’ production technology for niche applications, such as ultra low-flow material suitable for large agricultural hothouses or a high-flow material for injection applications.

Development of polypropylene-based products with lower carbon footprint, containing a powder based on agricultural waste.

Further to the CIRCLE plastic recycling consortium, which was funded by the Israel Innovation Authority, and which was headed by Carmel Olefins, the latter was awarded the "Magnet Star" project, sponsored by the Israel Innovation Authority, to develop composite material based on recycled hay nets in cooperation with Shenkar College, which ended in the reporting period. Carmel Olefins was awarded the Magnet Star project for another two years, sponsored by the Israel Innovation Authority, to develop an anti-microbial material in cooperation with the Hebrew University of Jerusalem.

In August 2023, the activity of a new funded consortium started in the field of development of biodegradable polymers. The Israel Innovation Authority approved a multi-year plan for setting up generic technological infrastructure for the creation of a future sustainability operation that will prevent the accumulation of polymer waste in landfills and in the environment, prevent environmental pollution, including air pollution, soil contamination, and contamination of water reservoirs, and save on high costs of collecting, sorting, cleaning and processing plastic waste, in cases where the collection and processing of the waste are not possible or not financially worthwhile.

1.13 **<u>Intangible assets</u>**

1.13.1 The Company has no rights in material intangible assets in the Refining Segment.

1.13.2 Carmel Olefins has six registered trademarks in Israel: כרמל אולפינים בע"מ, Carmel Olefins Ltd., Carmel Olefins logo, Capilene®, Carmelstat® and Ipethene®. Carmel Olefins holds 11 patents in various stages of registration and assessment. As at the Reporting Date, the patents are immaterial to the operations of Carmel Olefins.

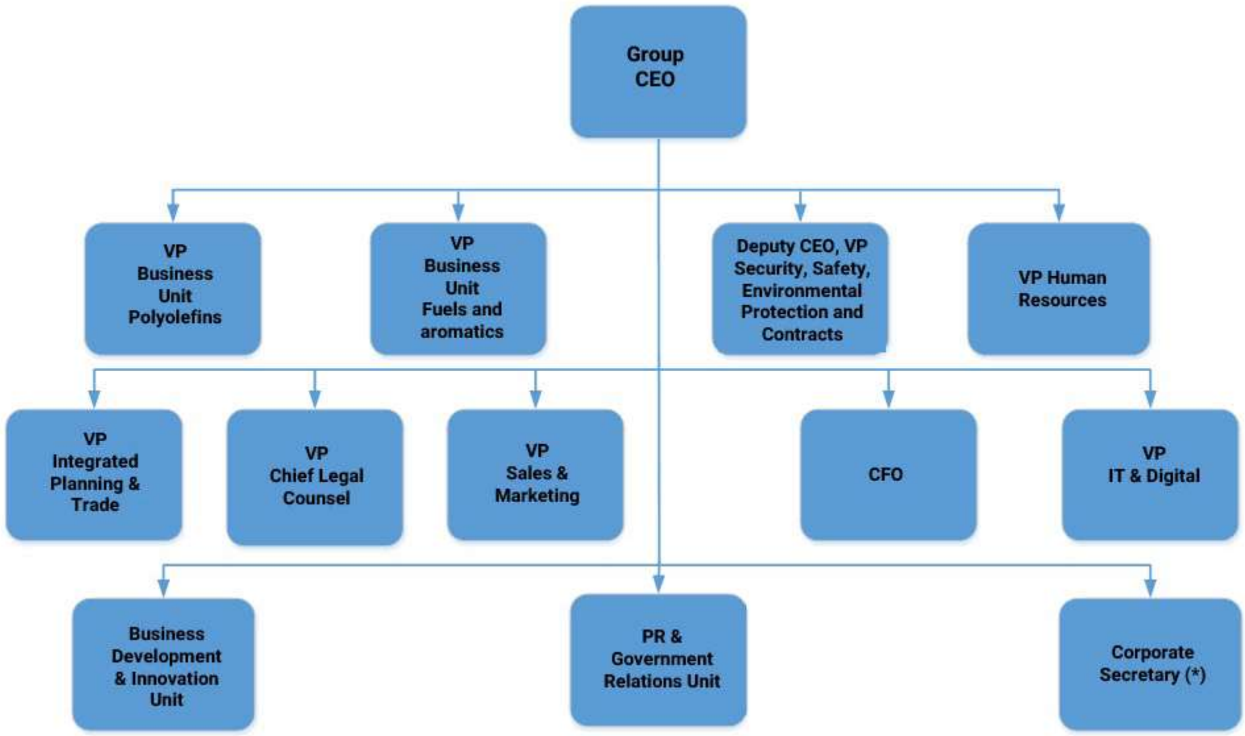
1.13.3 The companies acquire licenses to use advanced technological know-how in petrochemicals for their operations and pay external know-how suppliers a fixed or variable amount in royalties, depending on the volume of annual production at the facility under the license. The licenses to use know-how, under which the facilities were set up, are necessary for their operation and were granted to the specific facilities for which they were purchased. Under the know-how agreements, even if the agreements are terminated, the Companies will still be eligible to continue using the know-how for production purposes in the volume for which the license was granted and for which royalties were or are paid by them. The royalty amounts are not material to the Company.

1.14 Human resources

The Company operates through two business units: The Fuels and Aromatics Business Unit and the Polyolefins Business Unit. In the reporting period, each business unit included the relevant generation units, maintenance and certain additional functions - including in the Fuels and Aromatics Unit, the Technology and Projects Unit (which includes, among other things, an energy unit in charge of optimizing the energy sources available to the Group and provides energy services to the business units) and in the Polyolefin Unit - the sales and marketing functions of its products as well.

The headquarter services - including sales and marketing services, purchasing services, contracts with contractors and suppliers, warehouses, finance, IT systems, legal department, safety, security, human resources and environmental protection - etc. are provided centrally to all business units by the Company headquarters (see also Section 1.2 above). The purpose of this organizational structure is to create a direct and clear link throughout the entire value chain of each of the Group's main product groups, taking advantage of the fact that all of the Group's operations (excluding Ducor's operations, which are located in the Netherlands and Carmel Eco, which is located in Kibbutz Yas'ur) are carried out at one site and enable a synergy that increases operating efficiency and reduces cost in many areas. In addition to the activity of the business units, a comprehensive optimization unit at the Company's headquarters determines the production function that optimizes the Group's entire production value chain (excluding Carmel Eco and Ducor). The crude oil and intermediate materials required for the Group's operations from various suppliers are purchased by the Combined Planning and Trade Unit. Sale of fuel and intermediate products on the local market and their exportation to an adjacent market, as well as the sale of aromatics products in Israel and abroad, is carried out by the marketing and sales unit. The Combined Planning and Trade Unit is also responsible the exports of fuel products and intermediate products.

Organizational structure as at December 31, 2025:



* Also reports to the Chairman of the Board of Directors

1.14.1 Number of employees, by business unit:

	No. of employees as at	
	December 31, 2025	**December 31, 2024**
Fuels and Aromatics Business Unit	652	660
Polyolefin Business Unit	458	463
Company Headquarters and Management	261	271
Total	**1,371**	**1,394**

In addition to the above, as at the reporting date, 56 temporary employees are employed in the Group Companies. In addition, the Company receives various services via 233 staffing agency employees for work that is mainly temporary in nature as well as various service providers.

As at December 31, 2025, Ducor employed 100 employees. As at December 31, 2025, Carmel Eco employs 26 employees.

The Company's management believes that the Company is not dependent on any particular employee. In general, labor relations at the Group are in good order.

1.14.2 **Instruction and training**

The Group provides professional training to operative and maintenance staff in their area of occupation. The Company also trains the relevant Group employees as part of internal compliance programs operated in the Group, providing its entire staff and relevant service provider with mandatory safety training, mandatory certification, and training on environmental protection, quality assurance and information security training. Professional employees participate in training in their specific fields of occupation.

Emergency drills, fire drills, focused safety training for operators and professional training are performed at the production facilities.

The Group implements a management development process for individuals from various management levels, using a variety of tools.

1.14.3 **Employment agreements**

1.14.3.1 General

Most staff at the Group Companies are employed under special collective bargaining agreements signed between the Group Companies and the workers' unions. Some employees, mainly senior executives and managers, are employed under personal employment contracts.In addition to their wages, all Group Companies' employees, whether employed under a collective bargaining or a personal contract, are also entitled to social benefits, including pension insurance in accordance with the provisions of the law on this matter and/or with the provisions of the various agreements.

As at the reporting date, of all employees of the Companies in the Group’s compound in Haifa Bay, 203 are engaged under personal employment contracts and 1,168 under the terms of the special collective bargaining agreements to which the Company, Carmel Olefins and Gadiv are party.

The employment conditions of these groups of employees are as follows:

1.14.3.2 <u>Employees engaged under personal contracts</u>

Most employees from department manager level upwards are employed under personal employment contracts.

The personal employment contracts of Group companies' employees include pension, insurance and social and other benefits, which are not outside what is generally accepted, except for the eligibility of a few of the employees, who are employed under personal employment contracts, to a severance bonus of up to 200%, the stipulation of a notice period of more than 30 days (mostly between 3-6 months) in some of the personal contracts, and the eligibility of some of the senior employees to choose an early pension track or an increased severance pay track, if they are dismissed.

1.14.3.3 <u>Employees employed under collective agreements</u>

For details, see Section 1.14.6 below.

1.14.4 **<u>Compensation policy and compensation of the Company's officers</u>**

The employment contracts of the senior officers allow annual bonuses subject to the Company's performance and the meeting of personal goals, under the Company's compensation policy. For details regarding the employment terms of the five senior officers and the benefits paid to the Board of Directors, see Regulation 21 in Chapter D of the periodic report and Note 27B to the Consolidated Financial Statements. For details regarding the Company's Compensation Policy, see Regulation 22 in Chapter D of the Periodic Report.

1.14.5 **<u>Employee option plan</u>**

The Company has an option and restricted share units (RSUs) plan for employees and officers, which was adopted in 2024 by the Company's Board of Directors and by virtue of which it is possible to grant the Group's employees and officers options and/or restricted share units, which can then be exercised into the Company's shares. For details regarding options granted to some of the Group's officers, see Note 21B to the Consolidated Financial Statements and Regulation 21 in Chapter D of the Periodic Report.

1.14.6 **Collective agreements**

1.14.6.1 The Group Companies are party to special collective bargaining agreements regulating the work and employment terms of their employees not engaged under personal contracts and are not temporary workers.

A new collective wage agreement was signed with the representatives of the employees of the Company and Gadiv in November 2021, and in December 2021 a new collective wage agreement was also signed with the representatives of Carmel Olefins' employees. The term of the agreements starts on the date on which the prior agreements expire (December 2017) and ends at the end of 2024.

1.14.6.2 The collective bargaining agreements applicable to the Company and Gadiv and to Carmel Olefins set out the employment terms of the veteran employees (Generations A and B) and of future generation employees. The agreements prescribe, among other things, the wages based on rank and type of employee, various wage increments (for seniority, shifts, etc.), social benefits, including pension rights, and bonuses for some employees for the years of employment above 20 years.

1.14.6.3 Most of Ducor's employees are employed on a full-time basis (100%). Approx. 60% of the employees are employees under collective agreements between Ducor and worker's unions in the Netherlands, which are renewed from time to time.

1.14.7 **<u>Changes following the split and sale of ORA and the Company's privatization - special collective bargaining agreements of June 14, 2006</u>**

As part of the ORA split and sale proceedings, the Company and the New Histadrut Workers' Union (hereinafter - the "**Histadrut**") entered into special collective bargaining agreements (hereinafter - the "**Special Collective Bargaining Agreements**") aimed at regulating the rights of the Company's employees in the privatization process, including restrictions on their dismissal; terms for eligibility to early retirement; early retirement plans for pensioners of the pension fund and the related early retirement rights (which were in force until 2016); and rights to increased severance pay for employees not eligible to early retirement, which ended in 2016. Under the collective bargaining agreement signed in 2021 with representatives of the Company's and Gadiv's employees, it was agreed with regard to long-serving employees to whom the voluntary retirement agreement of June 14, 2006 applies, that the provisions of the retirement agreement also apply during the term of the new collective wage agreement signed in 2021, and through December 31, 2024. Furthermore, according to the 2021 agreement, and to the extent that the employees' representatives will ask to do so, at the end of each calendar year the Company will assess the option of not repaying the proportionate share of the loan to the Company for Early Pension Haifa Ltd. (hereinafter - "**Haifa Early Pension**"), which it is entitled to in view of retirement of employees during that year as per the loan agreement. The decision as to the deferral of some or all of the loan repayment is subject to Company's management's sole discretion.

To assure its commitment to purchase early retirement rights under the early retirement agreement, the Company signed a loan agreement with HEP, a special-purpose company established for the loan agreement.

Under the loan agreement, the Company granted HEP a NIS 300 million loan to assure the pension rights of the employees eligible for early retirement. The loan will be repaid to the Company in full by time all the employees eligible to a pension or an early pension have retired. See also Note 18B2b to the Consolidated Financial Statements.

As at the reporting date, 183 Company and Gadiv employees are or will be eligible for early retirement under the above agreements if the Company seeks to terminate their employment prior to their natural retirement date, under the circumstances prescribed therein.

1.15 **Taxation**

1.15.1 For details regarding the taxation laws applicable to the Group Companies and the main benefits thereunder, as well as the Group Companies' tax assessments, see Note 16 of the Consolidated Financial Statements.

1.15.2 For further details regarding legislation approved by the European Parliament in order to regulate carbon taxation adjustment mechanisms in Europe in respect of various products imported into EU countries, see Section 1.6.7.3 above.

1.15.3 As stated above, during the reporting period, the Company established an American corporation named Energil LLC, incorporated in the state of Delaware, United States, which serves as a limited partner in the partnership Cantium Energy LP; the latter partnership holds companies which constitute pass-through entities for tax purposes in the United States; Energil LLC is the taxable entity, which files tax returns with the IRS in accordance with its holding stake in the partnership. Energil LLC's taxable income will be subject to a US federal tax of 21% and to a Louisiana state tax of approx. 5.5%. It is noted that the US activity benefits from several tax benefits such as accelerated depreciation, depletion deduction, etc. It is also noted that a double taxation treaty is in place between the State of Israel and the United States, which reduces the tax withholding rates applicable to payments of dividend (12.5%) and interest (17.5%) from the United States to Israel.

1.16 **Working capital**

As at December 31, 2025, the Company has a positive working capital of approx. US 684 million.

The Company's working capital as at December 31, 2025 consists of current assets totaling approx. USD 1,874 million, net of current liabilities totaling approx. USD 1,190 million. Out of the total current assets: A total of approx. USD 615 million reflects the balance of cash and cash equivalents, a total of approx. USD 543 million reflects the balance of trade receivables and a total of approx. USD 619 million reflects the balance of inventory. Out of the total current liabilities, a total of approx. USD 191 million reflects the balance of loans and credit (including current maturities), a total of approx. USD 821 million reflects the balance of trade payables and a total of approx. USD 165 million reflects the balance of other payables and credit balances.

1.17 **Financing**[31]

1.17.1 The Group Companies finance their operations by profit on a cash basis; working capital (in subsidiaries, including supplier credit from the Company); long-term and short-term bank loans (including credit facilities) and non-bank credit, mainly debentures. For details, see Notes 6, 13, 14 15 to the Consolidated Financial Statements.

1.17.2 In 2021, the Company's Board of Directors adopted a multi-year outline to reduce the financial debt and ensure the Group's liquidity and financial robustness. As at the Report date, the Company reduced approx. USD 337 million from its total debt compared to its level at the end of 2021, in addition to carrying out an extensive debt improvement process, which started during 2023, in which the Company replaced existing short-term loans (at variable interest) with long-term loans, while improving the spread over the base interest. Noting the objectives achieved as at the report date, the Company's Board of Directors believes that the debt at its level as at December 31, 2025 is reasonable, and the Company will seek to maintain it in its current scope, while continuing to pursue the performance targets.

1.17.3 For details regarding long-term credit agreements between the Company and banking corporations, including a long-term financing agreement with the Syndication of Financiers, and its amendments, see Note 13B to the Consolidated Financial Statements.

1.17.4 For details regarding debentures issued by the Company to the public, see Note 14 to the Consolidated Financial Statements and Chapter 9 to the Report of the Board of Directors.

1.17.5 For details about collateral provided by the Company to banks and others that provided finance to the subsidiaries (Carmel Olefins, Gadiv and Ducor), see Note 13B2 to the Consolidated Financial Statements.

1.17.6 **Credit rating**

For details regarding the rating of the Company's Debentures in the reporting year and their rating history, see Section B in Chapter 9 of the Report of the Board of Directors.

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[31] A report regarding the liabilities, by repayment date, under to Section 9D of the Securities Regulations (Periodic and Immediate Reports) Regulation, 1970, is attached by way of reference to the digital report (Form T126) submitted immediately after publication of this report.

1.17.7 **Financial covenants and restriction on creating liens**

For details regarding restrictions and liabilities undertaken by the Group Companies regarding creation of liens (negative liens) and details regarding the financial covenants applicable to the Company, under their financing agreements with banks and deeds of trust for the debentures issued by the Company, see Notes 13 and 14 to the Consolidated Financial Statements.

1.17.8 **Short-term borrowings**

In addition to the working capital financing channels set out in Section 1.17 above, the Group Companies finance their ongoing requirements with short-term bank credit (overdraft and on-call loans). The volume of its short-term finance is adjusted from time to time to the variable needs of the Group Companies.

For details regarding the Group Companies' secured short-term credit facilities; the actual utilization of the credit facilities as at the reporting date and immediately prior to publication; and the financial covenants applicable to the Group Companies' secured credit facilities and compliance therewith, see Note 13 to the Consolidated Financial Statements.

1.17.9 **Long-term loans**

For details regarding the outstanding long-term credit received by the Group Companies, as at December 31, 2025, including long-term bank loans received and debentures issued, see Notes 13 and 14 to the Consolidated Financial Statements.

1.17.10 **Raising additional resources**

The Company's new shelf prospectus, which is effective through November 11, 2026 (with an option to extend by one further year subject to the approval of the Israel Securities Authority).

The Company will review raising further financial resources in the forthcoming years, taking into consideration its ongoing operating needs, the market situation, business opportunities, business developments and any other need, all according to the Company's resolutions.

1.18 **Environmental risks and management thereof**

1.18.1 **General**

1.18.1.1 Since the Bazan Group is engaged in the distillation and production of petroleum products, some of which are hazardous substances and/or substances with a carbon footprint, Bazan interfaces with the environment on multiple fronts: In the air, the soil and in water sources or groundwater.

1.18.1.2 Consequently, the Group's activity involves risks in environmental aspects, i.e., potential damage to the environment, which it monitors and mitigates, while investing substantial resources, as set forth below in this section. These risks may be divided into a number of key groups as follows:

1.18.1.2.1 Risks associated with the emission of gases that can potentially pollute the air and constitute a danger to public health;

1.18.1.2.2 Risks associated with soil and groundwater contamination;

1.18.1.2.3 Risks associated with the handling of hazardous substances;

1.18.1.2.4 Risks that are indirectly linked/ related to the risks listed above.

1.18.1.3 In managing these risks, The Group Companies are subject to comprehensive environmental regulation, which is becoming increasingly stricter, and whose main objective is to maintain the following in the Group's facilities: (1) Air quality; (2) quality of effluents discharged to water sources/the sea (upon removal of effluents - treated effluents); (3) preventing soil and groundwater contamination by petroleum products, raw materials and by-products, and treatment as needed; (4) handling hazardous substances, etc.

As detailed below, this regulation is diverse and is reflected, among other things, in legislation; in the terms and conditions of the Group companies' business licenses; in emission permits, discharge permits regarding discharge to the sea, poisons permits, and continuous and tight monitoring by the Ministry of Environmental Protection and the environmental unit with respect to the following: Production, storage, transport, usage and removal of products produced by the Group Companies, their components and byproducts.

1.18.1.4 This regulation may have a material effect on the Group, both in terms of the costs accrued to implement it (including the ongoing operation of the Group's facilities, their adaptation to regulatory requirements, and steps taken to decontaminate land and/or water sources), and in terms of the potential consequences and restrictions on the continuous operation of the Group's facilities, since failure to identify non-compliance or failure to fully comply with the requirements of this legislation may trigger the issuance of orders instructing the Group to shut down some or all of its facilities, and may expose Group companies and executives to administrative and/or criminal sanctions and/or lawsuits. For the Group Companies' segment-specific risks, see also Section 1.24.3.6 below.

1.18.1.4.1 Based on the Company's policy and as part of its long-term outlook, the Group Companies invest considerable financial and administrative resources to comply with all regulatory provisions applicable to them. In the meantime, the Company's environmental risk management policy is included in the Company's risk management procedure, along with a management system covering all environmental aspects of Group companies as detailed below. The Company's environmental risk policy is managed by the EVP, Acting CEO and COO, and was approved by the Company's Board. The Company's Audit Committee receives regular reports and conducts discussions on an as needed basis on aspects of environmental risk management, and, in addition, the Company's Board appointed a dedicated Environment, Safety and ESG Committee, which discusses environmental aspects and monitors this area. For details regarding the Company's risk management policy, including with respect to environmental and climate risks, which were identified and mapped as key risks, see Section 1.24 below.

1.18.1.4.2 In addition, Group companies have in place an internal environmental and safety compliance plan, which includes operational procedures in these areas. Since its privatization in 2007 through the end of 2025, the Company invested approx. USD 718 million in environmental, safety, and security aspects and in enhancing its operating reliability, in addition to operating expenses in these areas.

1.18.2 **Regulation of the area of environmental protection[32] and its consequences for the Group**

1.18.2.1 The Group Companies, which own industrial plants, are subject to various environmental protection laws.

The environmental protection laws and standards relevant to the primary operations of the Group Companies are:

(1) Air quality;

(2) Quality of effluents and wastewater;

(3) Solid or hazardous waste;

(4) Hazardous substances;

(5) Prevention of soil and groundwater pollution by fuel and other hazardous substances.

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[32] Only with regard to aspects that are relevant to the Company and/or its business environment.

The main laws applicable to the Group are: The Clean Air Law, Prevention of Hazards Law, 1961, the Hazardous Substances Law, 1993, the Business Licensing Law, 1968; the Prevention of Sea Pollution from Land-Based Sources Law, 1988; and the Water Law, 1959. In addition to these statutory provisions (including secondary legislation thereunder), the Group Companies are also subject to provisions included in permits and licenses granted to them, which are required for them to operate in their operating segments.

These legislative arrangements are complex and detailed, and therefore are not elaborated on below, unless a certain matter has a material effect on the Group Companies and practical consequences on the way it operates.

1.18.2.2 The Company operates an environmental protection center that allows citizens to contact the Company with environmental questions and complaints and receive answers and comments. An environmental protection vehicle that enables reaching the site of complaints of hazards and investigating the complaint in real time is operated under it.

1.18.2.3 As part of their operating activity, the Group Companies comply with the laws and provisions applicable to their operations. As at the reporting date, the Group Companies comply with the provisions of the environmental permits and environmental laws, apart from exceptions regarding which they are acting with the Ministry of Environmental Protection to adjust the provisions and/or revise the timetables for implementation thereof. Environmental legislation and regulations are subject to ongoing changes, and even more so in recent years, there has been a continuous stiffening of environmental requirements, including through new environmental legislation, interpretation given to laws in this area and enforcement of environmental standards and other provisions applicable to companies in the Group's areas of activity, especially companies whose plants are located in Haifa Bay.

1.18.2.4 **Investments in environmental protection**

The Company invests heavily in environmental, safety, and security aspects and in enhancing operating reliability. The Company's investments in this area, include: Best-of-class technologies and treatment systems to reduce emissions, such as burners to reduce emissions of nitrogen oxides from the Group's plants; expansion of the Mercaptan exhaustion capacity; upgrading the furnaces protection; upgrading of sealers in pumps and storage tanks and covering tank roofs; projects to reduce non-specific emissions; purchase and operation of odor treatment systems; projects to reduce air emissions and odor hazards from the refinery's bitumen filling facility; use of a wastewater reclamation facility which performs supplementary biological treatment of the procedural effluents from the Group's facilities; retrograding of the wastewater treatment facility in the Bazan compound; oxidization facilities at all of the Group's plants on the Bazan compound to reduce non-specific emissions of non-methane volatile organic compounds; projects to reduce benzene emissions from the Bazan compound; identification and ongoing treatment of non-specific emissions from equipment components - including replacing thousands of equipment components with zero-emission or high integrity ones; installing a filter to reduce particulate emissions and operation of an air monitoring system along the plant's fence (the first in Israel to be authorized by the Lab Authorization Authority certified under ISO 17025.

1.18.2.5 **Environmental permits**

Following are the main environmental permits granted to the Group Companies as part of their operations:

Validity	Licensing authority	Recipient	License type
January 28, 2031 (as per the permit) * Shall be in effect until the consolidated permit is issued	Ministry of Environmental Protection	The Company	Emission permit
February 7, 2031 (as per the permit) * Shall be in effect until the consolidated permit is issued	Ministry of Environmental Protection	Carmel Olefins	Emission permit
February 7, 2031 (as per the permit) * Shall be in effect until the consolidated permit is issued	Ministry of Environmental Protection	Gadiv	Emission permit
September 30, 2027	Ministry of Environmental Protection	The Company	Permit to pump into the sea
June 30, 2026[33]	Ministry of Environmental Protection	Carmel Olefins	Permit to pump into the sea
September 30, 2028	Ministry of Environmental Protection	The Company	Emergency permit to discharge effluents to the sea[34,35]
* Shall be in effect until the consolidated permit is issued	Ministry of Environmental Protection	ORL Trading Ltd.	Toxin permit
* Shall be in effect until the consolidated permit is issued	Ministry of Environmental Protection	Carmel Olefins	Toxin permit
* Shall be in effect until the consolidated permit is issued	Ministry of Environmental Protection	Gadiv	Toxin permit
* Shall be in effect until the consolidated permit is issued	Ministry of Environmental Protection	The Company	Toxin permit
The permits are granted from time to time at the request of the Companies	Ministry of Environmental Protection	Carmel Olefins and Gadiv	Hazardous waste removal (various permits)

[33] The Company has filed a renewal application.

[34] Refers to extreme storm events.

[35] For details about an emergency flow permit to the former Haifa Chemicals site, which was valid until July 30, 2024, see Section 1.18.3.2.1 below.

The permits are granted to the Group Companies subject to compliance with their provisions and conditions. Immediately prior to the expiry date of the various licenses, the Group Companies take steps to renew all the environmental permits required for their operation so as to maintain licensing continuity.

* This is a sweeping extension until the consolidated permit is obtained; at this stage, dates were set for submitting the applications for a consolidated emission permit starting in 2029.

1.18.3 **Environmental risks**

1.18.3.1 **Air quality risks**

1.18.3.1.1 According to data published by the Ministry of Environmental Protection in the past decade, as at 2012, the main pollutant emissions from Bazan Group's compound have been reduced by between 53% and 96%.

1.18.3.1.2 Clean Air Law, 2008

The Clean Air Law regulates treatment of the air pollution problem in Israel comprehensively. The Law requires plants emitting substances to obtain an emission permit for their operation. The Law also sets out criminal and administrative sanctions that may be imposed on any party violating its provisions and causing extreme or unreasonable air pollution. The issues covered by the law include:

(1) Establishment of maximum air pollutant levels;

(2) Systematic publication of monitoring data in the media and publication of air quality forecasts. Giving the Minister of Environmental Protection the option of ordering the establishment and operation of monitoring systems for various factors;

(3) Authority for local councils to take necessary action to reduce the pollution levels in their jurisdiction and authority for the Minister of Environmental Protection to order the polluted councils to prepare and implement a pollution reduction plan in their jurisdiction;

(4) Obligation to obtain an emission permit for any person who installs, owns, operates or uses an emission source that requires a permit and criteria for its provision. The emissions permit will be issued for a period of seven years;

On October 17, 2021, a law memorandum for the amendment of Section 31 to the Law was published, that prescribes an arrangement whereby the Minister of Environmental Protection is required to set an emission levy that will be applied to owners of emission sources that require permits, that is to say, approx. 180 Israeli plants that are required to meet strict conditions under emission permits in accordance with the Law. Despite attempts made in connection with this matter, such an emissions levy has not yet been imposed.

In 2016, all Group Companies received emission permits from the Ministry of Environmental Protection, which were valid for seven years. The emission permits set out provisions regarding maximum emissions from every emission source in the Group Companies' facilities, odor prevention, control and warning systems, monitoring, sampling, follow-up and reporting, dates for submission and implementation of plans for improvement of the Company's environmental performance and other provisions. If a measurement exceeds the values set out in the emission permit, the Companies take measures to ensure compliance with the provisions of the emission permits. The Company received a new emission permit effective as from January 29, 2024; Carmel Olefins and Gadiv received new emission permits effective as from February 8, 2024. It should be noted that with respect to the missile strike as stated in Section 1.6.3.4 above, the Company and Carmel Olefins have accepted temporary additional terms in the emission permits (which have expired), and this relates to specific matters in which the need arose following the consequences of the missile strike. In addition, the Company's emissions permit was revised with respect to the replacement of the damaged steam boilers effective August 14, 2025, and the Company submitted additional revision applications in December 2025 and March 2026. The Company believes that the amounts that Group companies are required to invest in order to comply with the provisions of the emission permits are immaterial.

The Company's assessment regarding the amounts which the Group Companies are expected to invest to comply with the provisions issued under the renewed emission permits and the Companies' ability to comply with these provisions on those dates, constitutes forward-looking information, and as such, it is uncertain and may not materialize, in whole or in part, or may materialize differently than expected. The Company's assessment is based, inter alia, on assessment of the type of investments required to comply with the provisions of the permits and the cost of their implementation, which is affected by outside entities, including know-how, equipment and service providers and the Company's assessment regarding revision of the emission permits. The Company's assessment may not materialize or may materialize in part, inter alia, if the alternative technologies which the Company intends to apply in order to comply with the emission permits are not approved by the Ministry of Environmental Protection or if the type of investments required by it changes and/or if the costs of executing them changes due to, among other things, the risk factors to which the Company is exposed, as detailed in Section 1.24 below.

1.18.3.1.3 <u>The Climate Bill, 2024 (hereinafter - the "**Climate Bill**")</u>

On June 28, 2022, the first reading of the Climate Bill was approved; the purpose of the Bill is to prevent and reduce greenhouse gas emissions and damage caused by the climate crisis in Israel, as part of the implementation of Israel's international commitments in accordance with the Climate Convention,[36] to take steps to address the climate crisis by setting targets for reducing greenhouse gas emissions and preparation for the effects arising from climate change, by preparing national plans for in preparation for the effects, taking into account the vital interests of the State of Israel, including retaining the competitiveness in the Israeli economy, compliance with Israel's commitments in trade agreements, and the implementation and guarantee of the regular supply of infrastructure and services for the benefit the public.

In February 2023, an amended memorandum to the Climate Law Memorandum was distributed, which was very much the same as the previous memorandum, however it stated a goal of a reduction of 50 percent in greenhouse gas emissions by 2030 compared with the base year (2015 in the current memorandum). The Bill has not yet been approved by the Ministerial Committee for Legislative Affairs.

The bill passed the first reading in April 2024 and on June 4, 2024 it was discussed by the Knesset's Internal Affairs and Environment Committee ahead of the second and third readings in the Knesset. The Climate Law stipulates targets for the reduction of greenhouse-gas emissions, including a 50% reduction by 2030 and zero net emissions by 2050. The law provides a long-term legal framework for implementing climate policies, with inter-ministerial cooperation, establishment of government task forces, and requirements regarding regular reporting on and control over the achievement of targets. Furthermore, the law includes preparations for dealing with climate change in areas such as water, energy and agriculture, in order to adapt the infrastructure to changing conditions. The current wording of the law allows changing the targets pertaining to the reduction of greenhouse-gas emissions. Consequently, it is possible to change the state's targets "in accordance with the needs of the economy"; in addition, there is no deadline and schedules are flexible. This legislation is part of an overall global trend of adopting climate and sustainability regulations, mainly in Europe, which affects companies which operate globally.

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[36] The United Nations Framework Convention on Climate Change, which was signed in Rio de Janeiro on June 12, 1992, including agreements to which Israel is a party.

1.18.3.1.4 The Liquefied Petroleum Gas Law, 2020 (hereinafter in this Section - the “**LPG Law**”) - In 2021, the LPG Law went into effect; it aimed, among other things, at strengthening the powers of the Gas Safety Administration, the compliance function and forming new regulation in the LPG area.

1.18.3.1.5 On January 15, 2024, the government approved (as part of a draft resolution on the basis of which the government approved the state budget for 2024; in this section - the “**New Government Resolution**”), a proposal for pricing the emissions of local pollutants and GHG, which is expected to be reflected by amending the Fuel Excise Tax Ordinance (Levying of Excise Tax), 2004, which is levied on fuel producers, and The Customs Tariff and Exemption Tariff Ordinance on Goods, 2017, which is levied on importers of fuel (hereinafter jointly - the “**Carbon Tax**”).

According to the New Government Resolution, the Carbon Tax reflects an increase in the rates of excise tax and purchase tax in a graduated outline, applicable from 2025 through to the beginning of 2030, the date on which the said tax rates will fully internalize the external cost arising from the consumption of the fuels. The New Government Resolution stipulates that the tax rates that will be revised in the Excise Tax Ordinances will be published on the Israel Tax Authority’s website as a direct carbon tax.

According to the government resolution, the taxes that will be collected will increase the state's revenues and they will not be directed directly to incentives to reduce emissions and develop new technologies or to protect the local industry. However, as complementary measures, the government resolution includes several other statements, whose implementation is expected to facilitate the achievement of those goals, and which may impact the economic effects of the carbon tax in its new format on the Company and/or delay the date on which it will be imposed, including regarding budgetary support to fuel consuming plants, support to achieve the increase in efficiency required for the said tax, exemptions such those available under the European Emissions Trading System, potential delay or limitations in levying the tax on natural gas due to the impact of electricity prices, etc.

The carbon tax came into effect on January 1, 2025. In accordance with the new Government Resolution, the Ministry of Economy and Industry published two Director General Directives (Directives 4.79 and 4.80). The first directive deals with a track aimed at assisting the industry to adapt to the increase in excise tax ("carbon tax”); the track aims to support industrial plants, which consume fuels (including natural gas), in adapting to the "carbon tax”; the other directive aims to provide a supplementary incentive to the said track; this is available to enterprises, which will capture part of the carbon generated, thereby reducing carbon emissions to the atmosphere. Following the above, a dedicated team was set up in the Company, which is composed of representatives of various units (environment, energy, finance and legal), which is also supported by external legal advisors specializing in excise tax, in order to collect all required data, assess the type and scope of support, which the Group can apply to, the conditions, which the Company must comply with under these tracks and the steps that will need to be taken in the future, and in order to handle the submission of applications on behalf of the Company. It should be noted that as a result of the work of the dedicated team as stated, in the reporting year, the Company was awarded an industry assistance program to enable it to adapt in light of the increase in excise tax (hereinafter - the "**Carbon Tax**") 4.79 (which is subject to compliance with all the terms and conditions set forth in the winning bid notice sent to the Company) (hereinafter - the “**Assistance Plan**”), such that the additional carbon tax payable by the Company during the reporting year was significantly offset.

However, in accordance with the provisions of the abovementioned support track, support is calculated based on historical fuel consumption and incorporates an annual efficiency factor of approx. 2%, resulting in a gradual decrease in the consumption baseline used to calculate the support. Therefore, even if in the initial years the effect of the tax is largely offset by the abovementioned support, over time the net effect of the carbon tax on the Company may increase.

The abovementioned potential effect of the tax on the Company (according to the natural gas consumption forecast, taking into account, among other things, the renovation plan for the Group's facilities and without taking into account the Assistance Plan grants) is expected to gradually increase the Company's natural gas purchase cost by up to approx. USD 23 million in 2030, compared to the cost prior to the entry into effect of the carbon tax (in 2024).

The foregoing regarding the possible effect of the carbon tax on the Company constitutes forward-looking information, and as such is uncertain and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's assessments regarding its purchases of natural gas in the years in questions for the purpose of operating its facilities, the implementation of the newly approved government resolution to the letter, including the Assistance Plan, and its validity throughout the entire said period. These implications may not materialize, materialize in part or in a manner that is materially different than that expected, as a result of factors beyond the Company's control, including changes in the scope of consumption of the Company's products, the quantities of natural gas that the Company will actually need to purchase in the said years, as a function, among other things, of energetic efficiency projects and actual refurbishments of the Group's facilities, changes in the said government resolutions, or other regulatory changes which unknown at this time.

1.18.3.1.6 Furthermore, on March 14, 2022, the government approved an update to the national program for preventing and reducing air pollution in Israel; as part of the said update, various targets were set for reducing emission of air pollutants in Israel by 2030, while listing the steps required to reduce air pollution in Israel, promote suitable technologies and monitor and report the implementation of the resolution.

1.18.3.1.7 The materialization of all the above resolutions may impact the Company's operations and its business results.

1.18.3.2 **soil/groundwater/water sources contamination**

1.18.3.2.1 **Effluent quality**

Industrial effluents generated during the manufacturing operations of the Group Companies is treated by them and then transferred by them to a third party (as set out below). In exceptional cases, after treatment of the industrial effluent, it is pumped into the Kishon River.

There is a effluents treatment facility on Carmel Olefins' premises operated by a third party specializing in the field under an agreement between it and the Company.

The Group Companies' policy is to avoid discharging effluents into the Kishon River.

The quality of the effluents pumped by the Group companies, if any, is regulated under the provisions of the permit to pump into the sea. The plants constantly monitor the quality of the effluents before pumping them into the Kishon River. Under the pumping permit issued to the Group Companies, the effluents pumped into the Kishon River must comply with the wastewater standard established by the Inbar Committee, which are outlined in the People's Health Regulations (Standards of Effluent Quality Supplied by Effluent Treatment Facilities), 2010.

In addition, a permit for emergency pumping was granted until July 30, 2024 for the former Haifa Chemicals site, due to the fact that runoff water from the site contains concentrations of substances that do not comply with Inbar values - as discovered after the site was transferred to Bazan at the end of 2021.

In view of the requirements in the emergency permit and its expiry, the Company is preparing to construct a project for runoff water treatment, in the event that there is no decrease in the values of the substances as well as storage of runoff water. The Company is negotiating with the former tenant of the land regarding indemnification of the Company for expenses and costs it incurred when evacuating the leased property, including those arising from the requirements of the emergency permit and the failure of the runoff to comply with the said values, and assesses the potential ways to exhaust its legal rights in this context.

1.18.3.2.2 **<u>Suspected fuel seepage into soil and groundwater</u>**

1.18.3.2.3 In the petrochemical compound there are approx. 60 monitoring drillings that are periodically monitored throughout the year, a process that has continued for more than a decade, in coordination with the Water Authority, including an annual plan provided to the Water Authority every year.

1.18.3.2.4 From time to time, the Company is required to check claims concerning seepage of fuels and other pollutants into the soil and groundwater in the plant area. In addition, from time to time, the Company drills extraction wells on its premises to extract a layer polluted with fuels, if any, and remove it from the groundwater.

1.18.3.2.5 Based on a survey conducted by an external expert, the results of which were sent to the Company on January 21, 2007, the Company believes it is unlikely that the groundwater in the aquifer in the area of its plant, which flows in a general south-westerly direction, will contribute to pollution of the groundwater to the west and south of its plant area. Based on this survey, the Company believes that the contamination of groundwater in the plant area is not expected to spread into adjacent areas where it could pollute water sources used for drinking or irrigation.

1.18.3.2.6 According to the Ministry of Environmental Protection's position expressed to the Company on January 1, 2007 in the guidelines for a survey of the environmental impact, the plants in the petrochemical site were required to conduct a soil survey according to these guidelines, which stipulate that the "Ministry of Environmental Protection will add supplementary requirements as necessary and based on the survey findings, including requirements to repair faults and rehabilitate any pollution which may be found"; the survey is designed to detail the extent and location of such pollution.

In July 2007, the Company received the results of the above hydrogeological survey indicating that there is no risk to the groundwater sources in the areas outside the plants' boundaries as a result of the plant's operations. However, several sites were found to contain polluted soil.

The surveyor's recommendation, which to the best of the Company's knowledge is also acceptable to the Ministry of Environmental Protection, is to perform a risk assessment using RBCA method or a similar method upon completion of processing the ground survey results, and to act according to its results.

In 2014, the Ministry of Environmental Protection decided to delay further performance of the survey until approval of its general provisions on the subject. In 2018, timetables were set for conducting the survey, which was completed at the end of January 2021, with another layer of soil gas raised by the Ministry completed at a later stage. A soil risk survey (including a soil gas survey) in accordance with IRBCA guidelines was conducted and submitted to the Ministry of Environmental Protection in June 2022. On January 2023, the requirements of the Ministry of Environmental Protection were received, which include land restoration in certain areas and risk management. The requirements in this matter were included in the poison licenses of the Group companies. On November 2023, the ministry's remarks on the investigation of the contamination and remediation of the soil in the petrochemical compound were received, according to which the ministry will not require any actual remediation actions as long as the site is active. A risk management plan was filed as required on August 30, 2023. Further to the submitted risk management plan, the ministry required the execution of two infrastructural sampling in six buildings twice a year, until two consecutive normal results are received; the ministry also required the adding of a small number of substances to the hygiene monitoring process. The requirements are complied with and it appears they are not expected to have a material effect on the Company.

The Company's assessment of the effect of its operations on groundwater and the water sources in its vicinity and the possible effect of the results of the various tests and reviews that it conducts in this area, and the ministry's requirements regarding land rehabilitation and/or management of the related risks and the costs of the treatment that will be required is forward-looking information, and as such is uncertain and may not materialize, in whole or in part, or may materialize in a way that is different than expected. The Company's assessment is based, inter alia, on information presently in its possession and the opinion of its advisors in the sector, which require further examination and clarification with respect to the scope of the treatment and the investments that will be required. The Company's assessment may not materialize or may materialize in part, inter alia if the survey which it conducts indicate different conclusions or their interpretation by the Ministry leads to different conclusions and to guidelines dealing with land rehabilitation on such a scale or as it collects and accumulates more information and professional analyses thereof, and due to the other risk factors to which the Company is exposed, as outlined in Section 1.24 below.

1.18.3.3 **Risks associated with the handling of hazardous substances**

1.18.3.3.1 **Toxins**

The Group Companies each have a toxin permit under the Hazardous Substances Law making provisions regarding the quantities of hazardous substances each is permitted to hold and the manner of storing and treating them. The permit also includes requirements with respect to identifying facilities which are likely be damaged in an earthquake of a defined strength and pose a risk, and reinforcement requirements for the identified facilities, based on a reinforcement plan submitted to the Ministry of Environmental Protection for review, and discussions with the Ministry are underway following the comments on the plan. The costs involved in reinforcing the facilities are immaterial for the Group Companies.

Under the provisions of the law, toxic waste is removed to authorized waste disposal sites, and solid waste, such as polluted soil, is removed to landfills, including export, under specific permits obtained from the Ministry of Environmental Protection or general permits published by it. The Company is dependent on third parties, which are the only sites authorized to receive hazardous substances from the Group's plants; if those sites fail to receive the hazardous substances under certain circumstances, the production activity will be adversely affected.

1.18.3.4 **Related/indirect risks**

1.18.3.4.1 The Group Companies may also become subject to claims alleging bodily injury or property damage due to exposure to hazardous substances or environmental pollution. For details regarding such material claims, see Note 20A to the Consolidated Financial Statements.

1.18.3.4.2 Additionally, given that existing and potential investors, as well as other stakeholders, take into account ESG (Environmental, Social and Governance) considerations - including climate and environmental aspects - as part of their investment and business policies in recent years, the Company’s conduct in this field potentially affects its ability to obtain credit, work with global insurers, its ability to attract investor to its securities, as well as its commercial engagements. This includes providing credit under the condition that the Company complies with ESG standards, or avoiding capital investments in the Company due to activity in the field of fossil fuels; something that may affect the finance costs of the Group and the potential raising of capital in the future. The applicability of regulations is also felt on the part of the Company's customers, who are required to meet sustainability reporting standards and to collect a considerable amount of data throughout the supply chain, including from the Company and sometimes as a condition for the business engagement.

1.18.3.5 **Provisions applicable to Ducor**

1.18.3.5.1 Ducor is subject regulations concerning air, soil and noise pollution hazards from its facilities. It has a permit from 1995 pursuant to the Environmental Control Act (hereinafter in the subsegment - the "**ECA permit**"). Since October 31, 2007, Ducor must also comply with the requirements of the EU's Integrated Pollution Prevention and Control Directive (IPPC) which, according to tests, it does.

Under the terms of the ECA permit, Ducor must also comply with stringent requirements relating to the noise from its industrial operations and storage of hazardous substances. As at the reporting date, Ducor complies with such requirements.

In addition to the above, Ducor is also subject to the SEVESO Regulations.

Ducor has a wastewater pumping permit prescribing various restrictions concerning the composition of the effluents.

1.18.3.5.2 Ducor has an exposure in connection with contamination of the land on which its plant is located and in connection with groundwater contamination in the area of the plant, which originates, according to an environmental advisor, before the plant commenced operations (partly in respect of the period of development and preparation of the area in which Ducor's plant is located by the Port of Rotterdam Authority, and partly in respect of industrial activity that preceded Ducor's activity), and therefore, it should not attributed to Ducor. This exposure was discovered during the completion of the agreement for the purchase of the holdings in Ducor in 2008. In the opinion of the advisor, the contamination is not high enough for the competent authority to require remediation of the soil, and Carmel Olefins was provided with an indemnification letter in this regard for the lease term preceding its purchase of Ducor.

1.18.3.5.3 The sustainability reporting regulations came into force in Europe in 2024 under the Green Deal policy, is gradually implemented in European Union countries. This regulation requires companies in Europe and around the world to present data on sustainability and environmental impacts - including coping with them, in accordance with defined criteria, including addressing climate, social and corporate governance aspects.It should be noted that this regulatory requirement was updated during the 2025 reporting year, such that at this stage they are not binding on Ducor. However, in light of the fact that currently thousands of companies in Europe are subject to the aforementioned reporting regulatory requirements, Ducor may be required, from time to time, to comply with the requirement of disclosure of sustainability data from its customers who are subject to them.

1.18.4 **Administrative or legal proceedings related to environmental protection**

1.18.4.1 For details regarding the warnings, summons to hearings, hearings, notices regarding intent to imposed monetary sanctions, indictments, orders and investigations received by the Company, Carmel Olefins and Gadiv for alleged violations of the emission permits and/or poisons permits and/or personal orders and/or the Ministry of Environmental Protection procedures issued for the Companies, see Note 20A to the Consolidated Financial Statements.

1.18.4.2 For details regarding legal claims and motions for certification of the claims as class actions and a derivative action, see Note 20A to the Consolidated Financial Statements.

The Company’s assessment, including by way of reference, on the expected impact of the foregoing warnings, requirements and claims on Group Companies is forward-looking information, as defined by the Securities Law, and as such is uncertain and may not materialize, in whole or in part, or may materialize in a way that is different than expected. The Company's assessment is based, inter alia, on assessment of the measures required to comply with the requirements and the cost of their implementation, which is affected by external factors, including know-how, equipment and service providers and steps taken or expected to be taken by the Ministry of Environmental Protection, as well as its experience with managing the said procedures and the opinion of its representatives on the said procedures. The Company's assessments may not materialize or may materialize partially, inter alia, if the type of investments required and/or the estimated cost of their implementation changes and/or if the Ministry of Environmental Protection takes different measures than expected and/or makes precedent judicial decisions that are stricter for the company or companies of its kind in the sector in general or on specific matters concerning the Company, and due to the other risk factors to which the Company is exposed, as outlined in Section 1.24 below.

1.18.5 **Legislation, standards and new regulation**

1.18.5.1 Industrial Chemical Registration Memorandum of Law, 2020 (hereinafter - "**Industrial Chemical Registration Memorandum of Law**")

In October 1, 2020, the Industrial Chemical Registration Memorandum of Law was published with the aim of preparing a register of chemicals manufactured in and imported to Israel. At this early stage, it is difficult to estimate how entry into force of the proposed law will affect the Company. However, from the Company's experience a similar mechanism in other countries led to a change in competition in the chemical sector, due to additional investments required in those markets by the manufacturers and importers, which led to withdrawal of players from those markets.

1.18.5.2 Additional conditions in toxin permits for PFAS compounds

During 2024, the Ministry of Environmental Protection regulated the use of fire extinguishing foams containing PFASs on a fuel farm.In November 2024, the Ministry of Environmental Protection published additional terms and conditions for toxin permits for PFAS compounds, after discussion of public comments. The main requirements under these conditions are the replacement or reduced use of substances containing PFAS compounds, a PFAS emissions environmental management plan, a storage regulation plan, maintenance and control of handling PFAS compounds, management of hazardous waste containing PFAS, and sampling and monitoring of PFAS compounds in industrial wastewater. These terms and conditions were added to the Group companies' toxin permits in December 2024, and the companies are working towards the required application. At this stage, the Company estimates that the expenses required for compliance with the above terms and conditions are immaterial._

1.18.5.3 For details regarding the Climate Bill, see Section 1.18.3.1.3 above.

1.18.6 **Quality management standards**

The Company and its subsidiaries are certified under the following management standards relevant to their areas of activity: (1) Quality Management Standard ISO 9001; (2) Environmental Management Standard ISO 14001; (3) Occupational Health and Safety Management Standard ISO 45001; (4) Information Security Management Standard ISO 27001; and (5) Energy Management Standard ISO 50001.

1.18.6.1 The standards indicate the quality of process management in Bazan Group according to ISO standards, both in general and in areas in which the Company pays close attention and which it considers strategic management goals: safety, environmental protection, product quality, energy management and saving, and information security.

1.18.6.2 As at 2017, the Company has been awarded the Platinum Award of the Standards Institution of Israel, which is awarded to organizations that are committed to quality and excellence, and holds five marks of quality and more, indicating that the process management systems and products comply with the criteria of international standards.

1.19 **Restrictions on and Regulation of the Company's activity**

In addition to the above environmental protection laws, as detailed in Section 1.18 above, various price control, business licensing, competition and safety laws, standards and orders are applicable to the operations of the Group Companies, and with respect to the Company, also provisions originating from its privatization procedure. The relevant laws applicable mostly to the operations of the Group Companies are as follows.

1.19.1 Government price control

The maximum price for fuel products sold by the Company is not controlled. Control over the maximum ex-refinery prices will reapply if the refinery fails to uphold the reporting obligations applicable to it with respect to refined product quantities and prices or if its share of one refinery exceeded 50% of the local market consumption of the product and is less than 15% at another refinery.

The Commodities and Services Price Control Ordinance (Maximum Ex-Refinery LPG Price), 2000 prescribes that the LPG price control regime will apply in accordance with Section G of the Price Control Law(Profit Reporting), and if it becomes clear that a refinery sold LPG at a higher price than the import price of the month preceding the month of the sale (as defined in the order), or that a refinery supplied LPG to different consumers at different prices simultaneously, Section F of the Price Control Law (Application to Raise Prices) will apply. On January 3, 2024, amendments to the ordinance were published (following a request by the Company to the Joint Price Committee of the Ministry of Finance and the Ministry of Energy and Infrastructures (hereinafter in this subsection - the **"Price Committee**") and a hearing following it), according to which some of the Company's claims were accepted and the calculation of the price was changed. Furthermore, provisions were set regarding the applicability of the order to automotive LPG. The amendments came into effect on February 1, 2024.

The prices of the storage, pumping and distribution infrastructure services provided and consumed by the Company (excluding the infrastructure services purchased from EAPC and excluding some of the infrastructure services provided by the Company) are prescribed in the Commodities and Services Price Control Ordinance (Fuel Industry Infrastructure Tariffs), 2014. This Ordinance sets a range of price controlled services and defines service standards for these services, setting out the obligations and rights of infrastructure service providers and recipients, including guidelines regarding service quality, liability for the quality of the fuel products and providing services on an equal basis.

1.19.2 From time to time, the maximum rates for infrastructure services paid in the fuel industry in Israel were revised, so the infrastructure prices paid by the Company increased. The Company takes measures for optimal efficiency of the use of infrastructures services that it receives, which are subject to price control. In 2023, the Company was sent a summary of the meeting of the inter-ministerial Price Committee dated July 14, 2022, to assess the prices of infrastructure operations in the fuel market as set out in the Commodities and Services Price Control Ordinance (Fuel Industry Infrastructure Tariffs), 2014 (hereinafter in this subsection - the "**Ordinance**"). In accordance with the Ordinance, which was signed on January 27, 2025 and published in the Official Gazette on February 2, 2025, infrastructure prices paid by the Company increased. In the opinion of the Company, the signed Ordinance is expected to increase the amounts paid by the Company in respect of its use of oil infrastructures by an annual estimated total of approx. USD 5.5 million (depending on the representative exchange rate and the scope of infrastructure use). On March 10, 2025, the Company filed a petition with the High Court of Justice with respect to a court order signed in HCJ 26381-03-25 **Bazan Ltd. v. The Minister of Energy and Infrastructure et al.**; hereinafter in this subsection - the **"Petition**"), including against the prices set in it.

1.19.3 Furthermore, on December 24, 2025, a summary of the Price Committee's discussion dated December 15, 2025, was sent to the Company, in which the Price Committee recommended to approve an addition of up to 4% in some of the rates regulated in the ordinance, with unusual frequency and urgency, not at the time of the permanent update (hereinafter in this section - the "**Committee's Recommendations**"). The Company strongly objected to the Committee's Recommendations, and as a result a hearing was held on February 5, 2026. Insofar as the Committee's Recommendations are approved, the prices of the infrastructure activities paid by the Company will increase. In the opinion of the Company, acceptance of the Committee's recommendations is expected to increase the amounts paid by the Company in respect of its use of oil infrastructures by an additional amount of approx. NIS 3 million (depending on the scope in which the infrastructure is used).

The abovementioned information regarding the effects of the implementation of the Ordinance on the Company's operating results constitutes forward-looking information, as defined in the Securities Law, and as such is uncertain and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on Company's assessments as to the use of the infrastructure and the expected scope and nature of the activity, which may change as a result of various factors, including the potential courses of action and alternatives for the use of the relevant infrastructures. These effects may not materialize, may materialize only in part or in a manner that is materially different than expected, as a result of factors that are beyond the Company's control, such as the extent of use of infrastructures arising from customer orders and the source of raw materials.

1.19.4 Regulation of monopolies

In 1988, the Competition Commissioner declared the Company a monopoly in the Fuel Distillation Services Segment. For many years now, the Company no longer provides fuel distillation services, but sells refined products, so the conditions prescribed in the declaration are irrelevant to the Company's operating activity. Nonetheless, considering the amendment to the Economic Competition Law, which became effective at the beginning of 2019 and significantly expanded the definition of a monopolist, the Company believes that, in the foreseeable future, it is likely to continue to be a monopoly over a considerable number of the refined products which it sells.

Carmel Olefins was declared a monopoly in the supply of low-density ethylene and polyethylene.

Under the Economic Competition Law, its provisions regulating the operations of monopolies are applicable to the Group Companies, including the Company, with respect to products over which any of them has a monopoly, including the prohibition on unreasonable refusal to supply the asset or service in the monopoly, the prohibition to abuse the monopoly status in the market to reduce competition in business or harm the public, prohibition on charging exorbitant prices on the Company's products included in the monopoly, etc.

1.19.5 Natural Gas Sector Law

The Natural Gas Sector Law stipulates that an Oil Refiner or entity related to an Oil Refiner may sell or market natural gas under the following conditions:

(1) The sale or marketing of natural gas will not be conditional on purchasing another service or product from it or others, or refraining from purchasing a service, product or natural gas from others;

(2) (a) It will not operate or manage gas stations providing refueling with natural gas and will not hold the right to sell or market natural gas exclusively to them or means of control of them if the quantity of such gas stations exceeds twenty, or 25% of the quantity of such gas stations in Israel, whichever is higher, either solely or together with others who are Oil Refiners or entities connected to an Oil Refiner, as the case may be;

(b) When counting the gas stations in subsection (a), all the stations which an Oil Refiner, or entity connected to it, operates, manages, or in which it holds the right to sell or market natural gas or holds means of control, as set out in that subsection, must be taken into account;

(3) It complies with further condition, if prescribed by the Minister of National Infrastructures, with the Minister of Finance's consent and the Knesset Economic Affairs Committee's approval.

1.19.6 Law for Economic Competition and Minimizing Market Concentration

In 2024, the Reduction of Market Concentration Committee resolved, by virtue of the Law for Economic Competition and Minimizing Market Concentration, 2013 (hereinafter - the "**Market Concentration Law**"), that the Group, which following the decision of the Israel Corporation Ltd. to sell its shares in the Company, is no longer a member of the Idan Ofer Group, is defined as a concentration-promoting entity itself. The Group is considered a concentration-promoting entity since the scope of its activity exceeds half of the activity in the field of LPG production and fuel refining; furthermore, the Group is defined as a significant non-financial corporation.[37] In addition, the Company's controlling shareholders, Mssrs. Adi Federman, Alex Passal and Yaakov Gutenstein, were added to the lists of concentrated entities.

The meaning of the Company's being a "concentrated entity" is that the provision of licenses or concessions to infrastructures require the regulator to take into consideration aggregate concentration considerations and to consult the Reduction of Market Concentration Committee as to the impact of the allocation of a concession or a license on the aggregate concentration. This may also impact the requirement to separate significant non-financial corporations from significant financial entities as defined in the Market Concentration Law.

An additional dimension of the Market Concentration Law is a restriction on companies with a pyramid structure to two tiers of reporting companies (termed "**tier subsidiary**" in the law). As at the report approval date, the Company, which is controlled by IPE (which is a reporting companies), is considered a second-tier subsidiary.

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37 https://www.gov.il/he/pages/press-concentrlist2024

1.19.7 Licenses

The Companies hold the following main licenses which are required for their operations and set out the terms of their operations:

Type of license	License holder	Licensing authority	Expiration of license
Business license	The Company	Haifa Municipality[(1)]	April 15, 2026
Business license	Carmel Olefins	Haifa Municipality[(1)]	April 15, 2026
Business license	Gadiv	Haifa Municipality[(1)]	April 15, 2026
Business permit to transport gas and fuel	The Company	Haifa Municipality[(1)]	September 30, 2026
Business permit to transport fuel	Gadiv	Haifa Municipality[(1)]	September 30, 2026
License to manufacture and operate a fuel storage site	The Company	Ministry of Finance - Israel Tax Authority	December 31, 2026
License to produce fuel and approval of a production site	Gadiv	Ministry of Finance - Israel Tax Authority	December 31, 2026
Gas supplier license	The Company	Ministry of Energy	November 30, 2027
Electricity generation license	The Company	Ministry of Energy - Israeli Electricity Authority	May 9, 2031

(1) The business licenses are subject to conditions issued by the “approving entities”, including the Ministry of Environmental Protection, Fire Department, Ministry of Economy and Industry, as the case may be.

The Company takes steps to renew all the licenses required for its operation proximate to their expiry date. Subject to continuing to comply with the terms of the licenses issued for the Company, it does not foresee any grounds for non-renewal of these licenses.

The Company's assessment regarding renewal of the licenses required for its operations is forward-looking information as defined in the Securities Law and depends, inter alia, on the decisions of third parties with authority under the law. Therefore, this assessment may not materialize, or the terms of the licenses may change, so that it may be difficult for the Company to manage its business affairs.

For details regarding environmental protection and hazardous substance permits, see Section 1.18.2.5 above.

1.19.8 **<u>Other regulatory provisions that apply to the Company</u>**:

(1) Essential enterprise - The Bazan Group's plants have been declared essential enterprises under the Emergency Work Service Law, 1967, which regulates their operations in emergencies. An essential enterprise is an enterprise declared by the authorized government ministries as performing operations which are essential for essential supplies and services. The Law authorizes the Minister of Economy and Industry to require Company employees and persons who are not Company employees to present themselves for work at the Company's plant in an emergency.

(2) Work on rest days - They have a special permit to engage employees on weekly rest days under the provisions of the Hours of Work and Rest Law, 1951, which is valid until September 30, 2027 and with respect to Carmel Olefins, until December 31, 2026.

(3) Standards - Israel has official standards with respect to most of the refined products sold by the Company. There are Israeli standards for some other refined products or provisions with respect to their quality in orders enacted under the Vehicle Operation (Motors and Fuel) Law, 1961, and occasionally, the specifications under which the Company supplies its products are determined by agreement between the Company and the customer.

(4) LPG - The State Economy Arrangements (Legislative Amendments) (Sale of Gas by Refineries and Gas Suppliers), 2009 impose on the Company various provisions to regulate the supply of LPG by the Company to the various gas suppliers in general and during an LPG shortage.

1.19.9 Protection of essential state interests by the Company - Provisions of the Government Companies Law and the Essential Interests Ordinance

Section H2 of the Government Companies Law, 1975 authorizes the Prime Minister and Minister of Finance to declare in an order that the State has essential interests concerning a company under privatization and to make provisions in the order to protect the vital interests of the State. Under the law, the Government Companies Ordinance (Declaration of Essential State Interests in Bazan Ltd.), 2007 (hereinafter, in this Section - the "**Ordinance**" or the "**Interests Ordinance**").

1.19.10 The main provisions of the Interests Ordinance:

1.19.10.1 General

The Company's activity is subject to the provisions of the Interests Ordinance, which sets out the State's essential interests concerning the Company:

(1) Maintaining the nature of the Company as an Israeli company whose business and administration center is in Israel;

(2) Preventing exposure or disclosure of confidential information, for state security reasons;

(3) Promoting competition and preventing concentration in the fuel industry;

(4) Preventing the formation of situations in which the Company is influenced by hostile entities or entities that may harm state security or foreign relations;

(5) Ensuring continuity of crude oil refining activities, and of production and sale of refined products in Israel.

In order to secure the fulfilment of said interests, the order sets out various restrictions and obligations, the main points of which are as follows.

1.19.10.2 Restrictions on holding of control or means of control

(1) Prohibition on acquiring or holding control of the Company without the prior written consent of the Prime Minister and the Minister of Finance (hereinafter, in this Section - the "**Ministers**");

(2) Prohibition on holding 24% or more of a certain type of means of control in the Company without the Ministers' prior written consent and on increasing holdings beyond that set out in the approval;

(3) Restrictions on the identity of a controlling shareholder or any holder of 5% or more of the means of control of the Company, with respect to prohibited cross-company holdings (at a rate that exceeds 5%) in the Company and a company holding one of the following: ORA; storage, pumping, or distribution infrastructures; port infrastructures; companies involved in natural gas; and entities registered or owning operations in an enemy country; the Company applied to the Ministers to increase the permitted cross-holding rate under the order to 10%. Subsequently, on June 8, 2025, the Ministerial Privatization Committee an amendment to an ordinance, which stipulates, among other things, that institutional entities would be allowed to have cross-company holdings of up to 7.5% in the Company and in ORA, provided that a director put forward for service as a director in the Company by that institutional entity or a director who serves in a key position in the institutional entity or works for the institutional entity (hereinafter - "**Affiliated Director**") shall not serve in the Company's Board of Directors, if an Interested Director of that institutional entity serves in the Board of Directors of ORA.

(4) Requiring the Company to issue an immediate report any holding of control or means of control without receiving prior consent, in percentages that require consent under the order, including due to exercising a lien on means of control or any other right granted;

(5) Requiring any person holding control or means of control without approval to sell their holdings, and the Company will have no authority to exercise any right under non-compliant holdings.

1.19.10.3 The control permit by virtue of the Interests Ordinance[38]

1.19.10.3.1 As from September 2022, a new permit to control and hold means of control in the Company will become effective pursuant to Interests Ordinance given to IPE, PCH, and the Individual Controlling Shareholders of IPE: Mssrs. Adi Federman, Yaakov Gutenstein, and Alex Passal (hereinafter - the "**Permit**", "**Individual Permit Holders**" and jointly with IPE and PCH - hereinafter - the "**Permit Holder**"),[39] which regulates, inter alia, the acquisition of the Company's share from Israel Corporation Ltd. (hereinafter - "**Israel Corporation**") by IPE and PCH.

1.19.10.3.2 Under the control permit, the permit holder may be the sole controlling shareholder of the Company and hold 24% or more of the means of control.

1.19.10.3.3 The control permit is subject to compliance with its requirements, terms and conditions, and undertakings by IPE, PCH, and the Individual Permit Holders in IPE.

1.19.10.3.4 Additionally, the Permit is subject to the fact that the Permit Holder will hold the means of control in the Company for the Permit Holder and not for any other party, and that IPE and PCH only, under the control of the Individual Permit Holders alone, will exercise the control and means of control in the Company, at the sole and absolute discretion of IPE and PCH.[40]

1.19.10.3.5 For the sake of integrity, it is noted that, to the best of the Company's knowledge, on August 7, 2024, IPE announced (Ref. No.: 2024-01-080433) it received a written notice from the Government Companies Authority, whereby the Authority announces that it stopped dealing with the application by Mr. Michael Bobrov, Mr. Ohad Schwartz and Mr. Adar Schwartz for a control permit in the Company, in accordance with the Government Companies Ordinance (Declaration of Essential Interests for the State in Bazan Ltd.), 2007.

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[38] The particulars in this Section are to the best of the Company's knowledge.

[39] It should be noted that the late Mr. David Federman was among the Individual Permit Holders in the reporting year.

[40] And based on the declaration of the Permit Holder, that it is unaware of any legal impediment to its ability to exercise the control and means of control, including receivership, bankruptcy, or liquidation, or an agreement or arrangement with any third party.

1.19.10.3.6 In addition, and as stated in the Company's reports dated February 16, 2025 and February 23, 2025 (Ref. Nos. 2025-01-010777 and 2025-01-012111), Mr. Adi Federman, through companies under his control, contracted on February 13, 2025 with Green Oil Ltd. and Green Alaska Ltd. -which prior to the contract was jointly held by the permit applicants and the Individual Permit Holders (and upon completion of the transaction, will remain under Mr. Boborov's exclusive control) - in a contingent agreement for the purchase of part of Alaska shares in IPE and its entire rights in the convertible loan it provided to IPE, with the Individual Permit Holders exiting Green Alaska. A contingent agreement was also signed between the Individual Permit Holders themselves, among other things, regarding the manner of voting on the Company's Board of Directors; for further details regarding the IPE's notice as to abovementioned agreements signed between IPE's shareholders, see the Company's reports of February 16, 2025 and February 23, 2025 (Ref. Nos.: 2025-01-010777 and 2025-01-012111, respectively), the details of which are included herein by way of reference.

1.19.10.3.7 For details regarding acquiring full control of the Company by IPE of the Israel Corporation Ltd. (which was the controlling shareholder of the Company together with IPE until that date), see Sections 1.3.2-1.3.4 to the Description of the Corporation's Business chapter in the Company's Periodic Report for 2024, published by the Company on March 12, 2025 (Ref. No.: 2025-01-016302) and which is presented herein by way of reference, and the Company's reports dated September 7, 2022, September 18, 2022 and February 12, 2023 (Ref. Nos., respectively: 2022-01-092931, 2022-01-095826 and 2023-01-13717), which are presented herein by way of reference.

1.19.10.4 <u>Center of business and ongoing management</u>

Following are the key restrictions placed by the Interests Ordinance regarding the management of the Company:

(1) The Company will always be incorporated and registered in Israel with its operating activity and business center in Israel.

(2) The majority of the Company directors, including the Chairman of the Board, will be Israeli citizens and residents and have security clearance and security compatibility for their position, as determined by the General Security Service, unless the General Security Service approves deviation from such in writing and in advance, under such conditions as may be prescribed.

(3) The following appointed Company officers will be Israeli citizens or residents and have security clearance and security compatibility for their position, as determined by the General Security Service: the CEO, acting CEO, VPs of Engineering, Operations and IT Systems, General Counsel, Deputy General Counsel, Acting General Counsel, Internal Auditor, Chief Security Officer and staff, Chief Essential Computer Systems Officer and staff, other officer, senior officers and service providers, including consultants who receive security classified information or work in operations with security entities, as determined in coordination with the Company's Chief Security Officer and CEO.

1.19.10.5 In that context, it should be noted that the Company and Carmel Olefins are also subject to The Regulation of Security in Public Bodies Law, 1998, which sets out special provisions regarding security arrangements in their facilities. The law requires the Company to appoint a security officer and an essential computer systems officer, grants the security officer various powers to perform security activity at the Company, and requires the Company to following the police's instructions with respect to physical security measures and the General Security Services' provisions with respect to information security actions. The provisions of the law regarding actions to protect essential computer systems also apply to Carmel Olefins.

1.19.10.6 <u>Changes in the Company’s structure</u>

Under the Interests Ordinance, the following actions require prior written ministerial consent, following consultation with the Minister of National Infrastructures: Voluntary liquidation of the Company; a settlement or arrangement between the Company and its creditors or shareholders; a merger of the Company with another company; a split of the Company, other than a split relating only to the transferring Company assets not used in refining crude oil, manufacturing fuel products and supplying them in Israel.

1.19.10.7 <u>Additional restrictions on the Company's operations under the Interests Ordinance</u>

(1) The Company is subject to various restrictions in the field of distillates in the gas stations. Thus, inter alia, the Company will not be entitled to hold rights in gas stations that constitute 20% or more of all of gas stations in Israel, unless the terms and conditions of the Interests Ordinance have been met; the Company will not purchase rights in fuel pumping stations from any single entity during a period of three years, if such represents more than 7.5% of all of the gas stations in Israel; the Company will not purchase control of 5% or more of the means of control of a company whose business is selling distillates at gas stations, if the Competition Commissioner determines that such operations are nationwide, unless the Ministers establish, in consultation with the Competition Commissioner, that this will promote competition in the fuel industry.

(2) The Company will not hold control or be the owner, holder or operator, directly or indirectly, including through an investee or a company in which it holds 5% or more of the means of control, of port infrastructure for importation or exportation of refined products in Israel without fulfillment of the terms and conditions provided in the Interests Ordinance.

(3) The Company will not have a monopoly, as defined in Section 26 of the Economic Competition Law, whether declared or not, in the dispensing, pumping or storage of refined products in Israel, including through an investee or a company in which it holds 5% or more of the means of control, unless the conditions set out in the Interests Ordinance are fulfilled.

(4) The Company will not hold control of 5% or more of the means of control of ORA or Pi Gliloth or one of its terminals.

1.20 **Insurance**

The Group Companies maintain insurance coverage for the various risks related to the nature of their business. As at the report date, the material insurance policies of the Group Companies, which they purchase jointly, are as follows:

1.20.1 **Property and loss of income insurance** - the policy covers direct physical damage and consequential damage with an overall liability limit of up to USD 1.75 billion per event and period, when the maximum indemnity period for consequential damage is 30 months. The policy sets out lower coverage limits for certain risks and it is subject to the deductibles as customary in the industry.

1.20.2 **Terrorism and hostilities insurance policy** - in addition to the rights granted under the Property Tax and Compensation Fund Law, 1961, the Group Companies have purchased a policy granting certain coverage against consequential damage resulting from terror acts and war, as detailed below. Following the direct damage to the Group's Facilities by Iranian missiles during Operation Rising Lion, and the expected utilization of its insurance coverage, the Company entered into a new insurance policy to cover consequential damages. As at the report date, the insurance coverage is USD 400 million above a primary damage of USD 50 million and for an indemnity period of 30 months, also subject to the 30-day deductible. Most of the policy is valid through December 2026.[41]

[41] An excess layer of USD 100 million above a USD 300 million coverage layer - valid through July 15, 2026.

1.20.3 **Liability insurance** - the Group Companies have purchased statutory liability insurance coverage for direct physical or consequential third party damage from actions and the supply of products by the Company; third party bodily harm resulting from actions and the supply of products by the Company; bodily harm to Company employees; accidental pollution; ongoing environmental pollution resulting from events which occurred as from 1999 (other than in relation to the Kishon River) and the Company's liability with respect to chartered vessels; the volume of the Company's coverage and deductibles are set out in the policies and vary according to the coverages.

1.20.4 **Marine cargo insurance** - the policy provides coverage of up to USD 300 million for loss or damage to international cargo shipments and the inventory of the Group Companies stored outside the Company’s premises.

1.20.5 **Directors and officers liability policy** - the Company holds an ongoing policy for the liability of directors and officers in the Company and the companies which it holds directly or indirectly, with a liability limit of USD 220 million (the liability limit includes indemnity for the Company’s own liability in the amount of USD 180 million), which also covers claims regarding securities.In addition, the Company has a runoff policy with a liability limit of USD 190 million for seven years (starting from September 15, 2022) to cover claims filed in the insurance period for acts that occurred up to the day the insurance was purchased.

1.20.6 **Ducor maintains insurance coverage for various risks** related to the nature of its business. As at the date of this report, Ducor’s material insurance policies are a property and loss of income policy with lower liability limits than those of the Company.

1.20.7 **Credit insurance** - the Group Companies maintain ongoing customer credit insurance policies to reduce exposure to the risk in providing credit, which include deductibles.

1.20.8 It is noted that the insurance coverage under each of these policies is subject to the terms and exceptions set out in each such policy. Although the Company is insured for coverage for various damages which may be incurred in connection with its operations, not all possible risks are covered or can be fully covered under its various policies. Therefore, the insurance payouts, if any, will not necessarily cover the full extent of the damages and/or all the possible losses. As customary, in case of property damage, if not reinstated, the coverage amount will be at the indemnity value calculated according to the provisions of the policy.

In addition, there is no certainty that it will be possible to purchase appropriate policies in the future under reasonable commercial terms and conditions, if any. In addition, there are certain insurance coverages that the Company may decide to avoid for various reasons, such as due to cost effectiveness. It is noted that the decision on the type and scope of insurance is made taking into account, among other things, the cost of the insurance, quality and scope of the proposed coverage, relevant legal requirements, and the ability to obtain appropriate coverage in the insurance market.

1.21 **Material agreements**

From time to time, the Group companies enter into agreements that are material for their operations, which are not in the ordinary course of business. For details regarding the said material agreements to which the Company or its consolidated companies are party, see Note 20B(1, 4-6) to the Consolidated Financial Statements.

1.22 **Legal proceedings**

1.22.1 There are various lawsuits pending against the Company and its consolidated companies, including motions to certify claims against it and its past and present officers as class actions, and motions to certify derivative actions in the name of the Company.

For details regarding the material legal proceedings to which the Company and/or its consolidated companies are party, see Note 20A of the Consolidated Financial Statements.

1.22.2 It is noted that on July 7, 2025, a motion was received at the Company's offices for disclosure and perusal of documents under Section 198A to the Companies Law, which was filed to the Haifa District Court (hereinafter the "**Motion**"). According to the Motion, the Company must provide the movant with information and documents pertaining to resolutions passed by the Company's Board of Directors and its officers regarding the insurance policies purchased by the Company and which cover those of its assets which were damaged during a missile attack by Iran against Israel from June 14 to June 16, 2025 (as detailed in Section 1.6.3.4 above). No monetary remedy was claimed in the discovery motion. To this date, the filing of the pleadings in the motion has not yet been completed.

1.23 Business strategy and objectives

1.23.1 Alongside the preservation and streamlining of ongoing production activities, Bazan Group has updated its strategic plan and is working to develop additional significant relevant sources of income while expanding its presence throughout the value chain of its field of activity. At the same time, the Group continues to act in accordance with its vision to serve as an essential bridge to the future of the transportation energy sector in Israel, while leading a transformation focused on sustainability and innovation in the refining and polymer operations.

1.23.2 The Company's management, under the direction and supervision of the Board, regularly assesses its plans and strategic objectives and its compliance therewith, as well as external factors, which affect the Group's activity, which recently included changes in the markets due to Operation Lion's Roar, the Russia-Ukraine War, the Iron Swords War (and including Operation Rising Lion) and their impacts, regulatory changes as well as the Government Resolution regarding the government’s strategy for the Haifa Bay and the implementation of the negotiations pertaining to this strategy (for further details regarding this Government Resolution, see Note 20C to the Consolidated Financial Statements).

1.23.3 As at the Report date, the Company's strategy focuses on strengthening and improving the existing production function in the refining and polymers activity while focusing on improving efficiency and implementing advanced tools and technologies, reinforcing relationships with customers and increasing the ability to respond to changes in market demand; examining and developing significant new activities with potential to increase its profits (in this context see, for example, the Company’s investment in Cantium); and continuing to preserve and boost capabilities in future fields, including green fuels, green polymers and hydrogen, while maintaining its position as a market leader in Israel. The Company executes the above while ensuring safety, being committed to the principles of sustainability and ESG and maintaining the level of financial debt at the structure and composition prescribed by the Board, taking into account the Company's solvency and the average duration of its debt as well as ensuring the Group's liquidity and financial robustness (see also Section 1.17.2 above).

1.24 Risk factors

1.24.1 Risk management process in the Group

The Group's operations, across all segments, involve risk factors which may have a material adverse effect on the Group's business activity. Bazan Group's corporate risk management process is a strategic process that, inter alia, plays an important role in the reinforcement of corporate governance, and the implementation of advanced management and control tools. The Group views having in place an effective risk management process as an important component of all steps and measures it takes in order to maintain a sustainable business activity that will allow it to fulfill its strategic and business targets.

1.24.1.1 The Group's management adopted an orderly risk management policy, which is based on an international risk management model (COSO ERM[42]); and implemented an orderly risk management process in order to mitigate the risks to which it is exposed, while putting in place procedures that define the areas of responsibility and powers of various parties in the Group, and establishing mechanisms to identify, control, report and monitor risks.

1.24.1.2 As part of the risk management process, the Group works continuously to reinforce the commitment to risk management among its managers and employees, such that it continues to form an integral part of its business activity, thereby improving the performance of the various units, enabling the achievement of its strategic and business goals, and maintaining an effective corporate governance policy.

1.24.1.3 The Group appointed Mr. Guy Liberman, who serves as CFO, EVP Strategy as the Group's Chief Risk Officer, who works in collaboration with other members of management, the CEO and representatives thereof to map, identify and prioritize the Group's risks, formulate plans to address and mitigate those risks and to monitor their development.

1.24.1.4 Reports regarding the monitoring and development of risks, and the steps to mitigate them are communicated at the relevant frequency to the risk management forum headed by the Group's Chief Risk Officer, the risk management steering committee headed by the CEO, the Board of Directors' Audit Committee and the Company's Board of Directors.

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[42] The Committee of Sponsoring Organizations of the Treadway Commission

1.24.1.5 Every 3-5 years, the Company conducts a comprehensive risk survey, which identifies the risks, risk factors and their potential effects. The survey is approved by the Group's Audit Committee and Board of Directors, followed by the Company formulating mitigation plans and key risk indicators (KRIs) for all identified key risks. The last survey was completed in 2024, in which the main key risks were identified and mapped, which include, among other things, Government Resolution 1231 for the advancement and development of the Haifa Bay, adverse effect on the Group's activity due to geopolitical conditions, regulatory changes, and environmental, climate, cyber, financing and liquidity risks. Furthermore, the Group established an orderly process for interim periods between risk surveys to validate the risk map and update the risks, where new risks were identified, which are relevant for the Group’s activity.

1.24.2 **Macro risks**

1.24.2.1 **Economic slowdown - global economic and financial crisis** - The demand for petroleum products is affected by various factors (as described in Section 1.7.2.2.4 above), a market slowdown or recession, including due to purely non-economic factors (geopolitical events, such as a war between the Russia and Ukraine or other events, like the spread of the Covid-19 virus) may substantially impair the refining margins, due to a reduction in fuel product purchases and surplus refining capacity. In general, the crude oil market has been characterized by substantial fluctuations.

In the Polymers Segment, a market slowdown or recession, excess production capacity, and other purely non-economic events as stipulated above, could be manifested in a significant decrease in demand for polymers and polymer margins. As a result, the Group's profits and scope of operations may be impaired.

Furthermore, the materialization of the risk may tighten the requirements of credit providers and make it difficult to raise new credit required for business development, investments, working capital and debt refinancing and/or lead to significantly higher borrowing costs.

For details regarding the risks arising from international conflicts, see Section 1.24.3.1 below.

1.24.2.2 **An economic slowdown or a recession in the domestic market** - the demand for the Group's products is affected by various factors, as set out in Section 1.7.2.2.4 above. Economic slowdown or recession in Israel may substantially impair the Group's profits, due to a decrease in purchases of its products or taking the credit risks into consideration. This situation could affect the volume of orders received by the Group Companies from the domestic market, the level of prices paid to the Companies for the sale of their products and the level of the Group's operations as a whole. In addition, a slowdown or recession may also expose the Group to increased credit risks of its customers. In terms of customer credit risk. It should be noted that Group companies use, among other things, credit insurance (see Section 1.20.7 above) for the various customers.

1.24.2.3 **Wars, armed conflicts and terrorism** – the security, political and economic conditions in Israel directly affect the Group's business. Over the past several decades, several armed conflicts have taken place between Israel and activist organizations in neighboring countries and between Israel and Palestinian elements in the West Bank and the Gaza Strip. For details regarding the implications of the Iron Swords War, and even more so - those of Operation Rising Lion - on the Company's activity and financial results during the reporting year, see Chapter 10 to the Report of the Board of Directors.

Any escalation of events with Israel's neighboring countries and hostile entities in the Middle East (or any) could give rise to renewed hostilities, which may force the Group to shut down its facilities in whole or in part, due to a lack of available raw material, which may not reach Israel during the hostilities and/or as a result of physical damage to its facilities or the infrastructures serving the Group (as occurred due to missile strikes in Haifa Bay) and/or adapting the Group's activity to said events as outlined in the guidelines of the guiding parties. Terror attacks originating in Israel directed at the Group's assets may force it to suspend its activities or shut down its facilities.

Government compensation involves a compensation which is mostly limited to actual damage due to acts of war; however, such compensation does not cover loss of income due to such damage, which is covered by a dedicated insurance policy for loss of income due to war and terrorism damage (see Section 1.20.2 above).

In addition to the above, it is noted that the operations of the Group Companies are dependent on the importation of crude oil from various countries. As at immediately prior to the approval of the report, certain countries, mainly in the Middle East, prohibit doing business with Israel or Israeli companies. A state of armed conflict, which will lead to negative public opinion with regard to Israel or expansion of the boycott imposed on Israel to other countries that trade with it may harm the Company's ability to purchase crude oil or other inputs and its ability to transport them to ports in Israel.

In addition, geopolitical developments could also give rise to a reduction or cessation of flights to and from Israel, and affect Israel's position in the world, and consequently also the Company's ability to sell its products in certain markets due to its status as an Israeli company, which may bring about a decrease in demand for the Company's products. Moreover, geopolitical developments may prevent the arrival of experts to Israel, the performance of refurbishment work and/or the provision of support services regarding malfunctions; they may also have an adverse effect on Group products' supply chain.

1.24.2.4 **Climate changes and occurrence of a natural disaster, including earthquakes -** Extreme weather events and natural disasters may cause physical harm to people or property of the Group or third parties, harm to the environment, and a shutdown of the damaged facility and other production facilities which operate in combination with or near the facility affected by the event. An increase in the frequency of extreme weather events worldwide and other climatic influences may also affect the availability of natural resources, the ability and cost to transport them, which may impair the Group's production capacity and negatively impact its business operations and profits.

Since the production facilities of most Group Companies are located at a single site, a natural disaster could lead to substantial damage that causes suspension of all of the Group's operations and facilities in Israel, while dealing with business continuity difficulties. It should be noted that the Group also insures itself against such risks (see Section 1.20 above), subject to the significant deductibles that the Group may have to pay to activate these policies. Also, the compensations paid by the insurers under these policies may not cover and/or fully cover the damages which the Group may incur due a natural disaster.

According to the provisions of the law, the Company is subject to the direction and oversight of regulators and emergency forces, and it follows their guidelines. See also Section 1.18.2 below.

1.24.2.5 **Exposure to exchange rate fluctuations** - the functional currency of the Company and most of its subsidiaries is the USD. The exposure of the Group Companies is measured by the USD exchange rate fluctuations compared to the other currencies with which they operate. The Group is exposed to the risk of foreign currency exchange rate fluctuations for sales, current expenses and investments denominated in currencies other than the US dollar. The Group is also exposed to currency risk with respect to NIS-denominated debentures and/or bank loans. For further details regarding currency risks, see Note 29D1 to the Consolidated Financial Statements.

1.24.2.6 **Exposure to interest rate fluctuations** – the Group has USD-denominated loans and liabilities (including as a result of cross-currency interest rate swaps) bearing variable interest rates based on SOFR plus a margin. An increase in the interest rates may cause an increase in the Group's finance costs, both in terms of the effect on loans, which bear variable interest, and in terms of the interest environment when raising fixed interest loans. For further details regarding interest rate risk, see Note 29D2 to the Consolidated Financial Statements.

1.24.2.7 **General strikes and lock-outs** - general strikes in the Israeli economy and in particular closure of the ports and/or lock-outs at fuel pumping infrastructure companies and/or strikes at the Group Companies' plants (where the majority of employees are unionized and employed under Special Collective Bargaining Agreements), which could also be part of public sector strikes, may prevent the continuous activity of the Group companies' facilities, receiving of raw materials and the possibility of exporting the Company's and subsidiaries' products, and to hurt their ability to manufacture their products and supply orders on time, thereby harming their ability to meet their obligations to their customers; this could impair the Group's profits and the reputation that the Group Companies have created. Moreover, delays in arrival of imported products could cause a partial, or even complete stoppage of the production process and incur significant costs for the Group.

1.24.2.8 **Cyber and information security risks** – in recent years, there is a marked increase in risks related to cyber attacks or insertion of hostile code into systems, the number of actual events and their severity may be identified. Since the Iron Swords War broke out, the State of Israel experienced an increase in the number of cyber attacks and threats in the cybernetic sphere, and so did the Bazan Group. Generally speaking, as a possible result of such actions, the ongoing activities and operation of the Group's facilities may be materially harmed, which rely on the Group's IT systems, including its operations, production and finance processes and many HQ processes, business information may be damaged or leaked and the reputation of Group companies may be damaged significantly, and the Group's businesses as a whole may be adversely affected to a significant extent by the occurrence of such incidents.

In fact, in almost all its operating segments, the Group uses sensitive IT systems and communication infrastructure that support, among other things, many operating, production, financial, and head office processes (hereinafter in this subsection - the "**Systems**"). The Systems are critically important to the operation of the Group's business and they fulfill a vital function in its ability to operate successfully. Hacking, interference with, damage to, or collapse of the Systems may impair the Group's business. The systems are backed up and in some cases networks are segregated; however, if some or all of the systems are damaged, this could result in substantial damage to the Company's data and to the applications and infrastructures supporting the Company's processes; such backup and network segregation help to minimize the attack surface (if any). To identify and assess these material risks, the Company performs annual cyber risk surveys using standard methodologies of NIST and Rimon software of the Cyber Directorate and other activities such as penetration testing, compliance with information security standards, and internal audits - both through external experts and in-house functions. The Company has in place detailed procedures regarding the management of cyber risks, in accordance with the information security and cyber security policy, under which procedures, methodologies, controls and various work processes were established both for prevention and for protection purposes and in order to raise awareness of cyber risks and information security. As part of cyber risk management, resources are allocated by the Company's management, and a Chief Information Security Officer was appointed (CISO), who reports to the EVP.

Risk procedures and surveys provide the Company with tools to reduce or neutralize the residual risk to which the Company is exposed in this area, and also incorporate a set of scenarios and responses to address cyber attacks, report to the relevant state authorities, other relevant entities in the Company's business environment, and to report and disclose the occurrence of a material cybersecurity incident to its investors. The Company's Board of Directors appointed a Security Committee as the organ in charge of cyber and information security; it this capacity, the said committee receives regular reports and holds discussions as needed on cyber and information security aspects, including during the reporting period; among other things, the committee was presented with various work plans on the subject and their execution status.

In addition, in accordance with the Regulation of Security in Public Bodies Law, the Company is subject to the direction and oversight of the Israel National Cyber Directorate and operates according to its guidelines. In this context, the Company implements a protection policy incorporating information security systems in the world, in a configuration that integrates effective security with the Company's operational requirements, including physical and logical security circuits to protect databases, computer systems, production facilities, transmission infrastructure to and from the Group's facilities, to prevent and reduce possible malicious or inadvertent use of the Company's data by an external or internal party, and interference in the Group's operation and management processes.

Due to the constant development and sophistication of cyber risks, the Company works nonstop to improve and raise the level of cyber protection and information security in several areas, including corporate governance, risk management, secure architecture, monitoring tools, and reporting and managing a cybersecurity incident. It should also be noted that the Company's property insurance policy includes some coverage for physical damage to property due to cyber attacks. However, the relevant policies set out significant deductibles and the compensations paid by the insurers under these policies may not cover or fully cover the damages which the Group may incur due to such physical damage. For further details regarding insurance policies see Section 1.20 above.

1.24.3 **Industry-specific risks**

1.24.3.1 **International conflicts** – The Group's areas of activity are affected by geopolitical developments and international conflicts, which may affect the energy markets, the availability of feedstock and intermediate products, and international supply chains.

At the same time, in recent years there has been a trend of countries using energy resources and the trade routes associated therewith as means to apply geopolitical pressure on other countries." International conflicts and regional escalations, such as Operation Lion's Roar and the regional developments arising therefrom, may include damage to energy infrastructures, refining facilities, ports and marine transportation infrastructure, and disrupt major shipping routes used to transport oil and oil products and even the narrowing or de facto closure of strategic waterways such as the Strait of Hormuz, through which a substantial share of the global oil trade passes.

Such events may also lead to crude oil and energy products price volatility. This volatility may affect the cost of the Group's feedstock, its refining margins and market conditions for refined products and petrochemical products. Furthermore, disruptions to shipping routes may lead to an increase and volatility in transportation and logistics costs.

In addition, geopolitical events may result in the imposition or expansion of economic and financial sanctions regimes, including on Israel, which may affect the Group's ability to enter into engagements with suppliers, financial entities or other parties in the supply chain. In addition, despite the Group's efforts to comply with applicable sanctions laws, there is a risk that financial entities or third parties will opt not to enter into transactions with the Group for compliance or risk management reasons. Thus, for example, the war between Russia and Ukraine and the resulting sanctions affected the energy markets and the availability of certain feedstock used in the Group's activity. For further details, see Note 1C to the Financial Statements and Section 1.7.20.6 above.

To the extent that due to armed conflicts, sanctions, disruptions to shipping routes, or volatility in energy markets it will be impossible to purchase certain feedstocks and intermediate products (such as HVGO) or if the Group will be required to purchase alternative products, which may be less suitable for its activity or more expensive, this may have a material adverse effect on the Group's activity.

1.24.3.2 **Erosion of refining and petrochemical margins and impairment of financial resilience** – the Company is exposed to the risk of erosion of refining and polymers margins, which may arise due to a similar global trend. If crude oil prices increase without a parallel increase in the oil and petrochemical product prices, if the demand for products remains fixed or decreases, or if there is an increase in energy costs or operating costs of production plants in the Group's area of activity, the refining and/or polymers margins, which are the basis of the Group's profit, may erode. Based on the possibilities, the Company and Carmel Olefins make polymer and refining margin hedging transactions. There are no sophisticated markets for polymer products and therefore, the operating margin hedging options in these areas are limited. For further details regarding the margin hedging policy, see Note 29D(3) to the Consolidated Financial Statements. With respect to hedging the refining margin, it is noted that if prior to implementation of the hedging transaction, the future margin is higher than the hedged margin, the Company will be required to provide collateral. Therefore, the longer the term of the hedging transaction, the higher the cash flow and consequential exposure throughout the hedging transaction term is likely to be, which may be caused from an increase in margins against the hedged margin.

If this risk materializes over time, it could, as a result of the financial and business impairment, harm the Group's financial strength and ability to raise and maintain the sources of finance in the volume required. Furthermore, the Company has undertakings towards some of its creditors to comply with financial covenants in connection with its financial results, which may lead to non-compliance with the financial covenants applicable to it and expose it to demands for early repayment of the credit it received.

1.24.3.3 **Dependence on infrastructure companies** - to perform the Company's operations, the refining companies in Israel are dependent on receiving services from the infrastructure companies, EAPC, Energy Infrastructures, Israel Ports Company and INGL. EAPC, Energy Infrastructures and Israel Ports Company, which own essential infrastructure for the unloading, transportation, storage and dispensing of crude oil and petroleum products, some of which are outdated and the volume of services which may be provided through them is limited; and INGL that has a monopoly in terms of the infrastructure used for transmission of natural gas from the receipt points in the gas reservoirs to the Group's facilities at the Haifa compound. The refining companies are also dependent on receiving regular port services to allow unloading crude oil and intermediate products and loading refined products for export. If the Company fails to receive these services from one or more of these companies or if the quality of the services provided fails to meet the Company's requirements, the operating results may be materially impaired. An increase in the infrastructure service prices the infrastructure charged companies, most of which are government controlled, may impair the Company's business and financial results (see Section 1.19 above); in addition, the Company is dependent on companies treating and removing hazardous substances which cannot be treated within Bazan's compound and those supplying natural gas to plants in the Haifa Bay compound (see also Section 1.24.4.2 below).

1.24.3.4 **Exposure for unexpected events and malfunctions at the production facilities, including accidents** – the production facilities in the Group's operating segments constantly operate under difficult physical and chemical conditions and some of them were constructed many years ago. The facilities are occasionally exposed to events; malfunctions, including in the operating and data processing systems, also due to deliberate sabotage; and accidents that may cause physical harm to persons and property of the Company or third parties, environmental harm, or a shut-down of the faulty facility and other production facilities operating together with or near the facility where the event or malfunction occurred, while dealing with business continuity difficulties.

The production operations of the Group Companies are controlled by advanced operating systems and a malfunction in these systems may impair their ability to carry them out.

The Group insures itself against such risks (see Section 1.20 above); however, the relevant policies set significant deductibles and it is quite possible that the compensations paid by the insurers under these policies may not cover or fully cover the damages which the Group may incur due such event or malfunction.

1.24.3.5 **Exposure to raw material and product prices fluctuations** – the Group's operations in the purchase of raw materials and intermediate products, sale of refined products in the domestic and international markets, sale of polymer products and aromatics areas; and the need for the Group to hold an inventory of oil and petroleum products (including a basic inventory which the Company does not hedge) in significant quantities and an inventory of polymers and aromatics products at all times; expose the Group Companies to market risks due to price fluctuations in raw materials and the products manufactured from them (for further details regarding crude oil price fluctuations, see Section 1.7.2.2.1 above). The Group's policy is to protect itself against such exposure (other than with respect to the Company's above basic inventory) by using the appropriate derivatives for protection purpose (for details, see Note 29D3 to the Consolidated Financial Statements). It is not possible to fully hedge price fluctuation risks. In the above hedging transactions, the Company is exposed to a cash flow risk of the gap between the payment date under the hedging transaction and the date of payment for the sale of its products. In the event of a significant increase in crude oil prices, the Group will be required to increase its working capital in order to purchase the entire volumes of crude oil and intermediate products required for its operating activities, at the expense of reducing liquid cash balances and/or increasing financing channels. In the event of a significant crude oil price decrease, the Group could record an accounting loss with respect to the impairment of its unhedged crude oil inventory, which will be reflected in erosion of its accounting equity.

1.24.3.6 **Environmental, health and safety regulation and standards** – companies operating in the Group's operating segments are subject to comprehensive regulation with respect to storage, manufacture, transportation, use and removal of their products, their components and by-products. The Company's production facilities are subject to environmental standards with respect to air pollution, groundwater and/or seawater pollution, soil contamination, effluent removal, use and treatment of hazardous substances, and the method of waste removal and decontamination of existing environmental pollution. Over the years and more so in recent years, there has been a continuous stiffening of environmental requirements, including through new environmental legislation, interpretation given to laws in this area and enforcement of environmental standards and other provisions applicable to companies in the Group's operating segments, especially companies whose plants are located in Haifa Bay. Further stiffening of such regulation and/or interpretation and/or enforcement which may be imposed upon the Group's operating segments or the Group Companies specifically, could give rise to higher expenses and investments over and above its existing investment plans and may even impair its operating results.

As industrial companies, the Group Companies must comply with all regulatory occupational safety and hygiene provisions and requirements set by the State. Failure to identify or comply with these requirements in full may expose the Group Companies to administrative and/or criminal sanctions and/or lawsuits.

The Group Companies have various environmental permits and licenses that define the terms for managing the Companies' operations and impose many stringent provision on them from all environmental aspects of their operations. The construction of new facilities or expansion of existing facilities requires obtaining permits and new or additional licenses and the Company may require further permits in future, including under the Clean Air Law. The terms of the permits and licenses may be modified by the relevant regulators. Any breach of the terms of the licenses, permits or other regulatory provisions may give rise to the imposition of fines, criminal or administrative sanctions, cancellation of licenses and restrictions on the operation of facilities, including closure.

Failure to grant new permits required by the Group Companies, or aggravation, revocation or revision of the permits, licenses or their terms may impair the Group's financial position and operating results.

As at the report date, several bills, in various stages, dealing with more stringent regulation and enforcement of environmental issues are under discussion. For further details regarding the environmental protection and regulation issues applicable to this segment, including the possible impact of future legislation, see Section 1.18 above.

1.24.3.7 **Transition to fuel product substitutes, recycled plastic and reducing the use of plastic** – the Company’s products are used mainly for land, air and sea transportation and for industry. Innovations and inventions in the engine and motor vehicle segments, including hybrid vehicles, electric vehicles or vehicles powered by alternative fuels (biofuels and synthetic fuels), restrictions on the use of gasoline or diesel engines, if imposed in Israel or in the Company’s key export markets, changes in consumers’ preferences, or many consumers switching to using substitutes for the Company’s products, such as ethanol-based fuels, biodiesel or natural gas and hydrogen-powered fuel cells, and enactment of laws and the granting of subsidies that encourage the reduction of the use of fossil fuels and transition to renewable energies may reduce the demand for the Company’s products. Furthermore, A change in Israeli passenger preferences to increased use of public transport may also bring about a decline in the demand for transportation fuels and may also impair the Company’s business results. For further details regarding alternatives to petroleum products, see Section 1.7.10 above.

In recent years, there has been a growing awareness of plastic waste pollution and to the need to reduce the use of plastic and to recycle it; more and more producers of consumer products are announcing their intention to dramatically decrease their use of plastic in general, and non-recycled plastic in particular. If no solution is found for treating plastic waste or to mitigate the environmental impact of such waste, and if the Company does not integrate such solutions into its activity, the demand for its products may be adversely affected or the growth in consumption of its products may decrease, which may have an adverse effect on its profits. It should be noted that the part of the Company's strategic plan is aimed, among other things to address this trend.

Trends of limiting the use of oil and plastic products are also supported by regulatory developments, legislation and taxation in terms of climate change and greenhouse gas emissions, such as the imposition of a designated tax by the EU on all non-recyclable plastic packaging manufactured or imported into its territory. The higher the tax, the more significant the incentive to reduce the use of plastics as stated above, and to reduce emissions. These regulatory changes, if they materialize, are likely to limit the Company's ability to operate in specific markets or increase the costs of products and operations for the Company, which may impair its business results.

1.24.3.8 **Reintroduction of price control of the Company's products** – there is currently no control over the maximum prices for some of the Company's products, and in the sale of its products it competes in an open market under competitive conditions. However, the Price Control Ordinance sets out terms which, if fulfilled, would result in the reintroduction of control over refined fuel product prices. If such control is reintroduced and/or price control is instituted with respect to products not under control as at the reporting date, this may cause market distortion resulting in impairment of the Company's business and financial results.

1.24.3.9 **Synergy and mutual dependence among the production facilities** - the production facilities of the Group Companies in Israel operate as a single concern and there is a certain mutual dependence among them. Damage and a shutdown at one or more of the production facilities may bring about a reduction and even suspension of operations of other facilities that depend on the damaged facility for their continued operation.

1.24.3.10 **Increased competition in the Israeli fuel market and the Company's main target markets abroad** – there are two refineries operating in the Israeli market (the Company's refinery and Ashdod Refinery) competing with one another; There are also several fuel product importers operating in the market, which are dependent on storage and distribution terminals owned by infrastructure companies and offer these products on the domestic market. Intensification of competition may impair the scope of the Company's operations and profitability. Intensification of competition in the key export markets in which the Company operates, due to the introduction of new competitors and/or enhancement of the competitive edge of existing competitors, such as the use of storage infrastructures, cutting logistic costs, etc., may impair the volume of the Company's operations and its profits in these markets.

1.24.3.11 **Changes in investment trends due to ESG considerations** –Over the past few years, including 2025, there has been a continuing global trend to increase awareness of sustainability considerations among key stakeholders, including customers, financiers and credit providers, investors, employees and regulators. This trend is reflected, among other things, in regulatory developments in the field of sustainability reporting, specifically European regulatory requirements (CSRD), which in 2025 was also accompanied by measures to reduce regulatory loads, including the postponement of regulatory applicability dates, and the simplification of reporting requirements by updating the ESRS standards. The applicability of these regulatory requirements in their updated format could continue to affect many companies together with their value chain.

The Company monitors and prepares for regulatory developments, both in Europe through Ducor's activity, and in relation to possible future reporting obligations in Israel, in order to apply the relevant requirements in each of the areas in which it operates. These trends may affect the Group's operations in various ways, including financing and investment aspects, credit terms, customer requirements for collecting and providing information throughout the supply chain, as well as the access of capital market entities, financing entities and insurers to activity in certain areas, especially in the field of fossil fuels. These developments may, among other things, have implications for financing costs, availability of credit and investment sources, as well as the Group's business and financial situation, including the value of its assets and the price of its securities. In addition to the abovementioned, there is a constant flow of information requirements in the field of sustainability by the Group's customers in Europe, which are subject directly or indirectly to the reporting regulatory requirements by virtue of the Wave 1 companies that have entered the CSRD (Corporate Sustainability Reporting Directive) regime. It should be noted that in these cases, there is a noticeably more stringent approach to compliance with receiving the requested information, and on occasions even as a precondition for entering itno a commercial agreement. The applicability of various ESG regulations is also felt on the part of the Company's customers, who are required to meet ESG reporting standards and to collect a considerable amount of data throughout the supply chain, including from the Company and sometimes as a condition for the business engagement.

1.24.3.12 **Difficulties in obtaining insurance coverage and limitations on insurance coverage** - The Company's activity is associated with operational, safety and environmental risks, including risks pertaining to the operation of its facilities, storage and transportation of materials and marine activity. In accordance with its policy and risk assessment, the Company acquires various insurance policies, as described in Section 1.20 above. It is noted that some of the risks to which the Company is exposed are not fully covered under its existing insurance policies, or are subject to various exclusions and limitations.

In addition, the insurance market (including in areas relevant to the Company), is characterized by volatility and is affected, among other things, by domestic and global events, which affect the insurers' risk appetite and accordingly may lead to stricter underwriting terms, an increase in the insurance premiums and a reduction in the scope of coverage offered, which may make it difficult for the Company to obtain insurance coverage at the scope and limits of liability which it views as optimal, or in general.

Furthermore, some of the insurance policies relevant to the Company's activity, particularly in the field of maritime activity and international trade, include provisions pertaining to international sanctions regimes. The insurance and reinsurance markets are highly sensitive to this issue, and therefore insurance policies may include limitations, exclusions or conditions which may limit or exclude insurance coverage in cases where there are concerns that international sanctions regimes are violated.

1.24.4 **<u>Company-specific risks</u>**

1.24.4.1 **Liability for non-compliance with environmental, health and safety laws and regulations and limitations on future development or ongoing activity on these aspects** - the Group Companies may bear significant liability (including heavy fines) and/or may receive orders instructing them to shut down some or all of their facilities due to deviations and/or breaches of environmental protection, health and safety laws and regulations. Other environmental laws define the responsibility for decontaminate pollution and therefore, may expose the Company to land and/or waterway cleaning and purification expenses. The Group’s insurance policies provide only partial coverage. For details regarding suspected fuel seepage into soil and groundwater, see Section 1.18.3.2.2 above.

The Group Companies may also become subject to claims alleging bodily injury or property damage due to exposure to hazardous substances or environmental pollution. For details regarding such material claims, see Note 20A to the Consolidated Financial Statements.

Possible future provisions regarding the condition of the environment in the areas where the Group operates and/or health data of the population in the adjacent areas and/or the link between them, and actions taken by regulatory or other parties in this matter or changes to court rulings on these issues, may delay and/or disrupt further development of the Group Companies or their operating activity and/or impose material financial obligations on them. All this in addition to the risk arising from changes in investment trends due to ESG considerations and due to stricter requirements on the part of the value chain regarding reporting aspects of sustainability and non-financial data as described in Section 1.24.3.11 above.

1.24.4.2 **Disruption or short supply of natural gas** - under the emission permit issued to the Group Companies, the maximum emission standards from their facilities are at appropriate levels for use of natural gas. Furthermore, Bazan Group uses natural gas as a raw material in the production of hydrogen needed for manufacturing processes.The use of natural gas also leads to increased efficiency in the Group Companies' energy consumption and reduced maintenance costs, and may also contribute to lower energy costs and other costs.

In 2023, the commercial operation of the gas supply by Energean has started; the latter is committed to supply to the Company natural gas (see Section 1.7.20.17 above), which increased the redundancy of natural gas supply sources. It should be noted that the gas is supplied through the INGL transmission system, which has no redundancy.

If the supply of natural gas is disrupted (whether due to a malfunction in the active fields or due to a fault in the transmission pipeline or due to regulatory provisions, inter alia during wartime or an armed conflict), the Group's activity and business results may be materially impaired. In addition, in such a case, the Group Companies may be required to reduce their operations, because of environmental restrictions imposed on them. Since the Group's facilities are regarded as a strategic asset for the State of Israel and such restrictions may trigger a crisis in the supply of transportation fuels, the Company believes that in such a case, the regulators will take action to prevent a crisis or to mitigate its ramifications.

1.24.4.3 **Delays and/or difficulties in the planning and building processes and renewal of business licenses** - building permits for the Group Companies compound are issued by the Joint Planning and Construction Committee for the Bazan Compound. In 2020, the National Planning and Building Council adopted a decision regarding the definition of a facility that has a significant impact on the environment. For the decision, the criteria prescribed, and the implications on future building permits that will be required in the Bazan compound and further details regarding this issue and the approval of NOP 75, see Section 1.11.8 above.

Moreover, from time to time, the Company and its subsidiaries have been experiencing difficulties in renewing the business licenses required by them for their operations and the provision of temporary permits for short periods only, difficulties which may become even greater once NOP 75 is approved, as stated above. The approval procedure for NOP 75 as well as such delays or difficulties may harm the Company's ability to maintain the facilities required for its operational, regulatory and business needs and/or operating its facilities continuously.

In addition, following the missile strike on the Group's Haifa Bay complex in June 2025, an order was issued under Section 266E(b) of the Planning and Construction Law, 1965, for restoring the damaged facilities and buildings, and subsequently an amendment was issued to the order with respect to the restoration of the damaged turbines. Petitions were filed with the High Court of Justice against the amendment to the order. Insofar as these petitions are granted, this may affect the timetables for the restoration of the turbines. For further details, see Section 1.6.3.4 above.

1.24.4.4 **Possible loss of know-how resulting from changes in the human capital employed in the Group** – the Companies employ skilled, professional staff with extensive know-how, who usually spend many years in its service. As the employee population ages and as employment patterns in Israel, in the industry, and in the Group are changing, including higher awareness of the climate and environmental impact of various activities among potential employees, the Group may find itself potentially losing knowledge and experience, as its employees leave their positions, and the Group may have difficulties recruiting new employees and managers with suitable knowledge and experience. Moreover, the Government Resolution on shutting down the Company's activity may make it difficult to recruit employees and managers into the Company, because of the difficulty of providing certainty on the employment horizon and promotion prospects in the Company. The Group is dealing with this risk by investing in preserving know-how, building professional redundancy and recruiting additional staff in key professions.

1.24.4.5 **Significant restrictions on the implementation of the strategic plan -** in order to optimally prepare for the business, technological and other mid-to long-term challenges expected in the energy market and to maximize business opportunities in its operating segments and related areas of activity, the Company adapts and revises its strategic plans for the Group companies across all areas of activity. The Company is of the opinion that the strategic plan addresses the changes expected to take place in its areas of activity; however, there is no certainty that the Company's assessments as to changes in the market will materialize in accordance with its forecasts at the time it revised the strategic plan. Furthermore, the implementation of the strategic plan involves extensive business and organizational moves, and in some cases obtaining various regulatory permits, and there is no certainty that the Company will be able to implement the required changes or obtain the regulatory approvals at all or on the required dates if any.

1.24.4.6 **Review of the future of Group Companies' facilities in the Haifa Bay** – as noted in Section 1.11.5 above, on March 6, 2022, a government resolution was passed, to terminate the Haifa Bay petrochemical plants' operations when conditions allow it. Subsequently, on September 18, 2023, the National Planning and Building Council approved NOP 75 for the Haifa Bay area, intended to develop the Haifa Bay, while rezoning the areas and clearing the petrochemical industries from them, including the Group's operations. The Ministers Committee for Internal Affairs approved NOP 75 in December 2023. The uncertainty regarding the future of the Group companies' activities and/or binding unilateral decisions by a competent authority according to which it is decided to close or substantially decrease the Group Companies' activities on a date scheduled in such decisions, without providing an appropriate solution for all relevant issues, may have a materially adverse effect on aspects of the Group's operations, including its ability to take measures to adjust its facilities to new markets and technologies, realize strategics plans, raise and restructure credit, and retain and recruit human resources, as early as on the decision making date, regardless of the target date for this process.

1.24.4.7 **Confirmation and implementation of the plan to prohibit the importation to Israel of vehicles fueled by gasoline and diesel in 2030**[43] the “Energy Market Objectives for 2030” policy paper published by the Ministry of Energy and Infrastructures sets out the energy market objectives in the transportation fuel and industries, whereby the objective for transportation fuels is to reduce the consumption of petroleum distillates for land transportation, based on a shift to using electric vehicles and vehicles fueled by compressed natural gas (CNG). In the industrial sector, the objective is to stop the use of fuel oil, LPG and diesel and replace them with cleaner, more efficient energy sources.

The document further stipulates that if specific terms are met, it will be possible to supply the needs of the economy through one refinery as from 2035 and that the Ministry will lead the process of preparing the economy for a situation where one refinery in Israel will close as from 2035.

[43] See the following link: chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.gov.il/blobfolder/news/plan_2030/he/2030summary.pdf

If the plan to prohibit the importation to Israel of gasoline and diesel-fueled vehicles as from the beginning of 2030 is approved and implemented on the date proposed in the draft, the demand in Israel for the land transportation fuels manufactured by the Company is liable to significantly decline in the subsequent years. In this context, it is noted that in February 2025, the Ministry of Energy and Infrastructures published an outline for zero greenhouse gas emissions in the Israeli energy sector in Israel by 2050,[44] which presents a comprehensive strategy for transitioning to a clean energy economy, with a focus on solar energy, storage, hydrogen, and nuclear energy as key solutions. As part of this outline, it was stressed that the Iron Swords War further emphasized the high importance of energy independence and the need to boost the ability to independently provide the necessary quantity of energy for civilian needs, even under threat to energy infrastructure - such as seaports, natural gas rigs, transmission and distribution grids, power plants, etc.". It was also written that “ensuring that demand is met through existing local supply or sufficient reserves, which is derived, among other things, from local production and storage capacity. Therefore, the installed capacity as required, both in fossil and renewable energies, will have to be determined accordingly. The imported quantities will need to be sufficient in order to provide a significant share of the demand for energy, but not one that Israel can rely on to supply the critical needs of the local economy."

[44] See the following link: https://www.gov.il/he/pages/energy-2050

1.24.5 The following table shows the Company's risk factors by nature and effect on the Company's business, in the opinion of the Company's management. It is noted that the Company's assessments below concerning the extent to which a risk factor affects the Company reflects the level of impact of such risk factor presuming materialization of the risk factor, and this will not be interpreted as an assessment nor will it give any weight to the chances of the manifestation of such risk factor:

Section	Risk factor	Major impact	Moderate impact	Minor impact
	Macro risks			
1.24.2.1	Economic slowdown - global economic financial crisis	V		
1.24.2.2	Economic slowdown in the domestic market		V	
1.24.2.3	Wars, armed conflicts and acts of terror	V		
1.24.2.4	Climate changes and natural disasters, including earthquakes	V		
1.24.2.5	Exposure to currency exchange rate fluctuations			V
1.24.2.6	Exposure to interest rate fluctuations		V	
1.24.2.7	Strikes and closures in the economy		V	
1.24.2.8	Cyberattacks	V		
	Industry-specific risks			
1.24.3.1	Global conflicts	V		
1.24.3.2	Erosion of refining and petrochemical margins and impairment of financial resilience	V		
1.24.3.3	Dependence on utility companies	V		
1.24.3.4	Exposure for unexpected production facility events or malfunctions, including accidents	V		
1.24.3.5	Exposure to raw material and product price changes	V		
1.24.3.6	Environmental, health and safety regulations and standards	V		
1.24.3.7	Transition to petroleum products substitutes and plastic recycling and reducing the use of plastic		V	
1.24.3.8	Reintroduction of price regulation for the Company's products			V
1.24.3.9	Synergy and mutual dependence between the production facilities		V	
1.24.3.10	Increased competition in the fuel sector and in the Company's key target markets abroad		V	
1.24.3.11	Changes in investment trends due to ESG considerations			V
1.24.3.12	Difficulties in obtaining insurance coverage and insurance coverage limitations		V	
	Company-specific risks			
1.24.4.1	Liability for non-compliance with environmental, health and safety laws and regulations and limitations on future development or operating activity from these aspects	V		
1.24.4.2	Disruptions in natural gas supply	V		
1.24.4.3	Delays and/or difficulties in planning and building processes and renewal of business licenses	V		
1.24.4.4	Possible loss of know-how resulting from changes in the human capital employed in the Company			V
1.24.4.5	Significant restrictions on the implementation of the strategic plan		V	
1.24.4.6	Examination of the future of the Operator of Group Companies in Haifa Bay	V		
1.24.4.7	Confirmation and implementation of the plan to prohibit the importation to Israel of vehicles fueled by gasoline and diesel in 2030	V		

Part B

Report of the Board of Directors on the State of the Company's Business

As at December 31, 2025

Adjusted refining margin
USD per barrel

2025
11.0
2024
10.2[(2)]

Q4 2025
15.0
Q4 2024
10.3[(2)]

Net income, USD million

2025
47
2024
113

Q4 2025
69
Q4 2024
18

USD millions

Consolidated adjusted EBITDA 2025
446[(1)]
2024
396

EBITDA for the Polymers Segment in 2025
(29)
2024
9

Adjusted EBITDA - Investment in Oil Asset Segment 2025 (August-December)
39

USD millions

Consolidated adjusted EBITDA for Q4 2025
198[(1)]
Q4 2024
106

EBITDA - Polymers Segment in Q4 2025
(30)
Q4 2024
(2)

Adjusted EBITDA - Investment in Oil Asset Segment in Q4 2025
22

As at December 31, 2025

Financial leverage
X1.5[(1)]

Net financial debt USD millions
667[(1)]

Equity to asset ratio
39%

(1) Including the Company's share in the adjusted EBITDA and net financial debt of Cantium according to the Company's effective holding stake.(52%) For details, see Chapter 2 and Chapter 5 below. For details regarding Cantium, see Note 20B6 to the Financial Statements.

(2) The pro forma margin for 2024 and in the fourth quarter of 2024 - net of the effect of income from the termination of the inventory availability agreement, was estimated at approx. USD 9.6 and approx. USD 8.3 per barrel. For details, see Chapter 2, Section B below.

Operation Rising Lion

Full ongoing activity of the Group's facilities with sufficient redundancy

Damage incurred during Operation Rising Lion

Receipt of advance payments totaling USD 203 million in the reporting period and thereafter;

The reports reflect partial recognition of the loss of income claim;

USD 58 million of the claimed amount not yet recognized in the Financial Statements

Business environment in the Refining Segment

High level refining margins in the fourth quarter;

A surge in the refining margins and in particular in the diesel fuel margin subsequent to the outbreak of Operation Lion's Roar;

Increasing the hedge position to approx. 7.3 million barrels at an average refining margin of approx. USD 13.5 per barrel.

Investment in Cantium

A USD 100 million strategic investment;

A surge in WTI Barrel Prices Following the Outbreak of Operation Lion's Roar

Dividend distribution

Dividend distribution totaling USD 35 million

Chapter 1

Description of the Group and its Business Environment

The Board of Directors hereby respectfully presents the Report of the Board of Directors on the State of the Company's Business for the year ended December 31, 2025 (hereinafter - the "**Reporting Period**"). The report is presented under the assumption that the entire Periodic Report, including the Description of the Corporation's Business for the reporting period, are also available to the reader.

A. Bazan Group's Operating Segments

Synergy with the petrochemical industry allows for increased optimization of the product mix, increasing aggregate margins and moderating volatility

100%

Polymers Segment

Carmel Olefins

Produces 2 main products: **Polypropylene and polyethylene** (sold to plastic product manufacturers)

100%

Ducor

Polypropylene production (sold to plastic product manufacturers)

Refining Segment (Fuels and Aromatics)

Segment with highly complex refining

Nelson Complexity Index score >11 (measures refining and cracking capabilities)

Haifa Refineries

One of the largest refineries in the Mediterranean

(Refining capacity: 197,000 barrels of crude oil per day)

Close to diverse crude oil sources and attractive product markets

100%

Gadiv Petrochemical Industries

Manufacture of aromatics (feedstock for the plastic and chemical industries)

52%

Investment in Oil Asset Segment

Cantium

Production and operation for shallow water oil and gas assets in the Gulf of America, US

The Carmel Olefins and Gadiv plants in Israel are downstream facilities of the Company and receive most or all of the required feedstock from the Company on an ongoing basis through pipelines, and return all or part of the products of their facilities to the Company, as well as the feedstock not used in their operations. This allows synergy across multiple segments, increasing operating efficiency.

B. Bazan Group's business environment and profitability

Operation Rising Lion

As a result of missile attacks in June 2025, the Energy Center - which produces a substantial share of the steam and electricity used by the Group's Facilities - was directly hit and damaged alongside other damages; certain pipelines and transmission lines between facilities in the Bazan compound were also damaged. As a result of the aforementioned hits, three of the Company's employees were killed. The Company's thoughts and prayers are with the families.

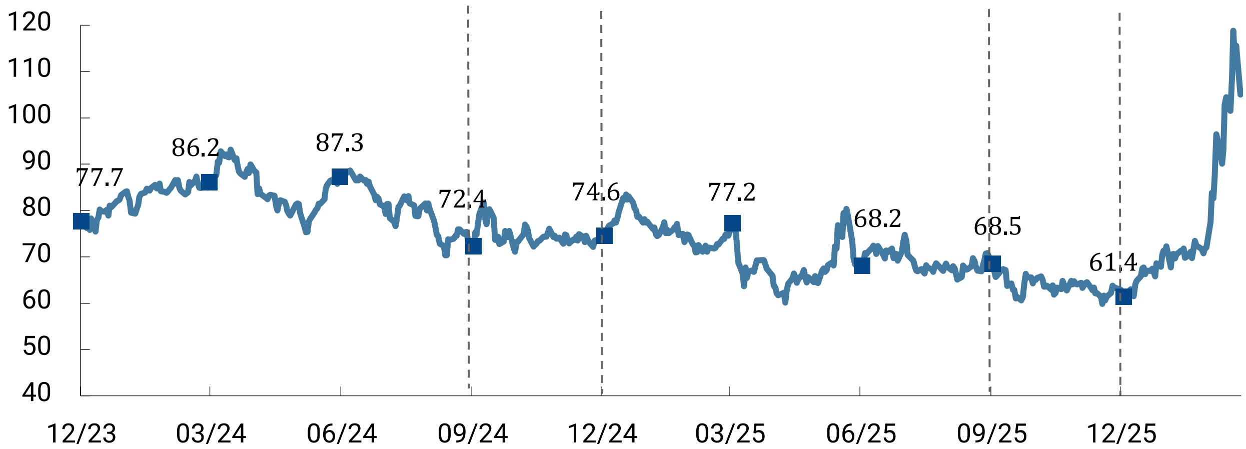
For further details regarding the effect on the Company's activity, see Note 1C to the Financial Statements.

Refining Segment

Price of crude oil*

Crude oil price

Brent crude[1] prices in 2024-2025 (USD per barrel)



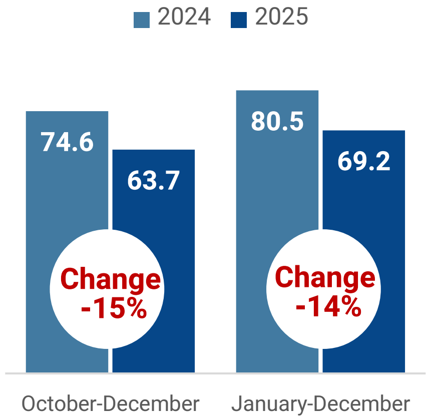
Source: Refinitiv (LSEG)

(1) Dated Brent

* There may be discrepancies between the information published herein and its derivatives and financial information published by the Company.

Average crude oil price

Brent crude (USD per barrel)



- During the Reporting Period, the Brent price was characterized by a downward trend - exhibiting volatility during the year - and reaching levels of USD 60 to USD 83 per barrel; the Brent price was impacted, among other things, by the following factors:

  On the supply side: Consistent increase in crude oil production by OPEC+ (which reinstated to the market the voluntary output cuts totaling 2.2 million barrels per day). On the other hand, during June, due to the Israel-Iran war, concerns increased regarding the closure of the Strait of Hormuz and the disruption of crude oil supply to the east, which dissipated at the end of June with the declaration of a ceasefire. Furthermore, the European Union and the United States tightened sanctions on Russian crude oil in order to force Russia to end the war in Ukraine, including the imposition by the United States of sanctions on two Russian oil giants in October; in addition, sanctions on Iranian and Venezuelan crude oil were tightened.

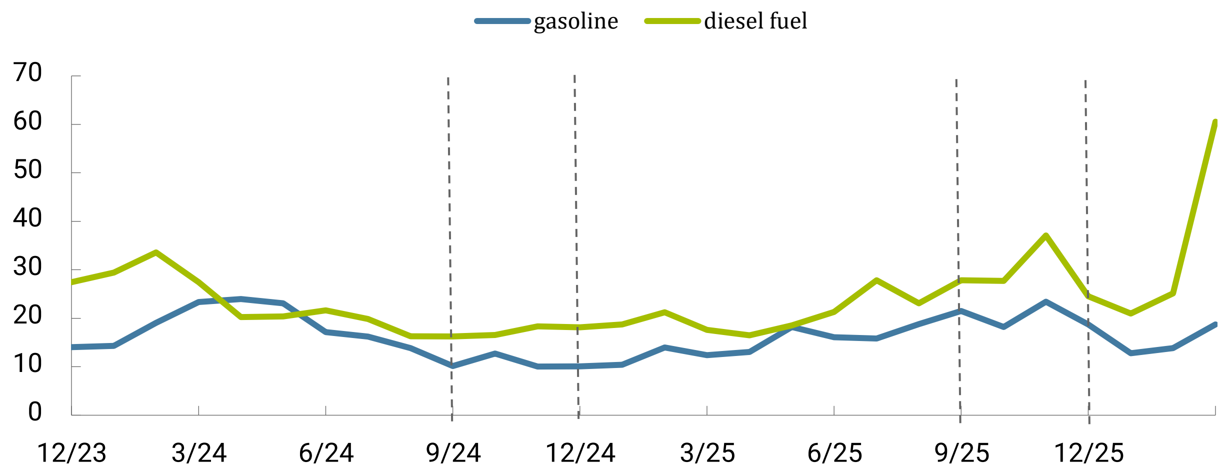
  On the demand side: Further creation of strategic crude oil inventory by China, which kept inventory levels in the West - low.
  In addition, the Federal Reserve executed three interest rate cuts in the United States of 0.25% each.

- Subsequent to the report date, Brent traded between USD 62 and USD 119 per barrel, with its price sharply rising in March following the outbreak of Operation Lion's Roar and the Israeli and US attacks on Iran (including an attack on Energy Infrastructures), and on the other hand Iranian attacks, mainly on Israel and the Gulf states, alongside oil supply disruptions due to Iran blocking the Strait of Hormuz, which is responsible for approx. 20% of global oil movement.
- Immediately prior to the report approval date, the Brent price was set at approx. USD 105 per barrel.
- During the reporting period, the ICE Brent Crude futures curve was in backwardation at an average of approx. USD 0.6 per barrel for the front month, similarly to the market curve in the corresponding period last year. In the fourth quarter of 2025, the ICE Brent Crude futures curve was in backwardation at an average of approx. USD 0.4 per barrel for the front month, similarly to the market curve in the corresponding quarter last year.

Refining margins*

Monthly average[(1)] of Mediterranean transport diesel fuel[(2)] and gasoline[(3)]

Compared to Brent crude[(4)] in 2024-2025 (USD per barrel)



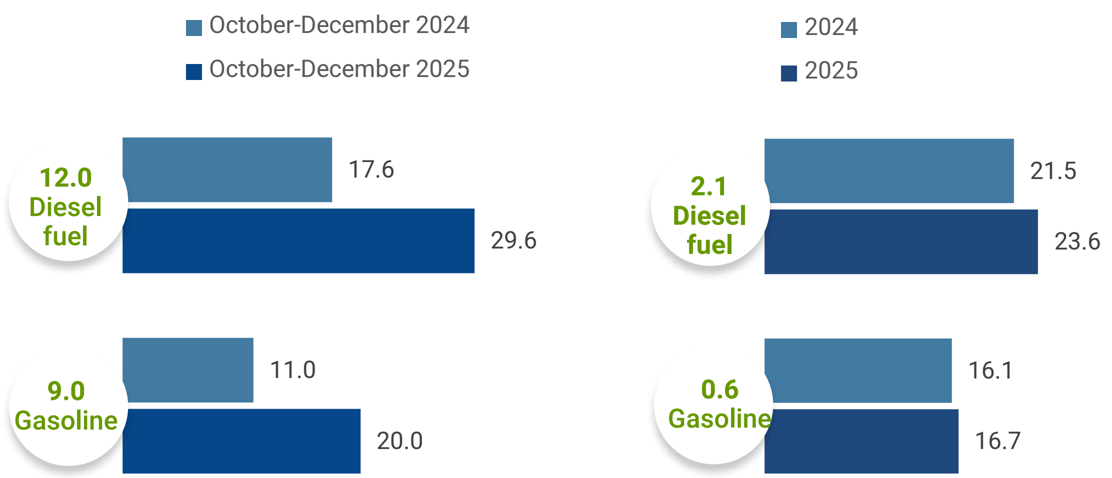
Source: Refinitiv (LSEG)

(1) Average in March through Immediately prior to the report approval date.

(2) ULSD CIF Med (3) Prem Unl CIF Med (4) Dated Brent

Average transport diesel fuel and gasoline margins

Compared to Brent crude (USD per barrel)

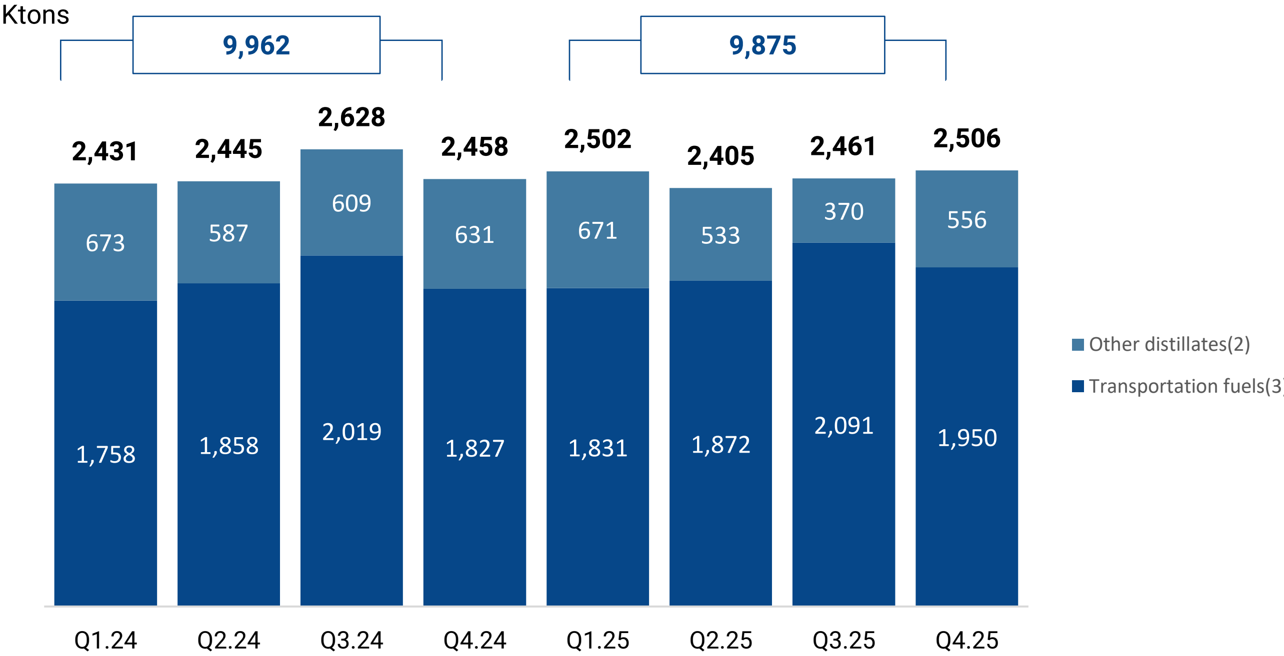


The diesel fuel and gasoline margins in the Reporting Period and in the fourth quarter of 2025 increased compared to the corresponding period last year due to the tightening of sanctions by the European Union and the United States on distillates produced from Russian crude oil in order to force Russia to end the war in Ukraine, including the imposition of sanctions in October 2025 by the United States on two Russian oil giants which also operate outside Russia alongside Ukrainian attacks on Russian refineries.

Immediately prior to the report approval date, diesel fuel and gasoline margins stood at approx. USD 77 and approx. USD 27 per barrel, respectively, and were mainly affected by supply disruptions due to the blockage of the Strait of Hormuz, alongside Iranian damage to energy facilities in Persian Gulf countries and higher natural gas prices.

* There may be discrepancies between the information published herein and its derivatives and financial information published by the Company.

Domestic market consumption of distillates[1]



Source: Ministry of National Infrastructures, Energy and Water Resources.
Consumption of diesel fuel for transportation includes the use of diesel fuel for electricity generation.

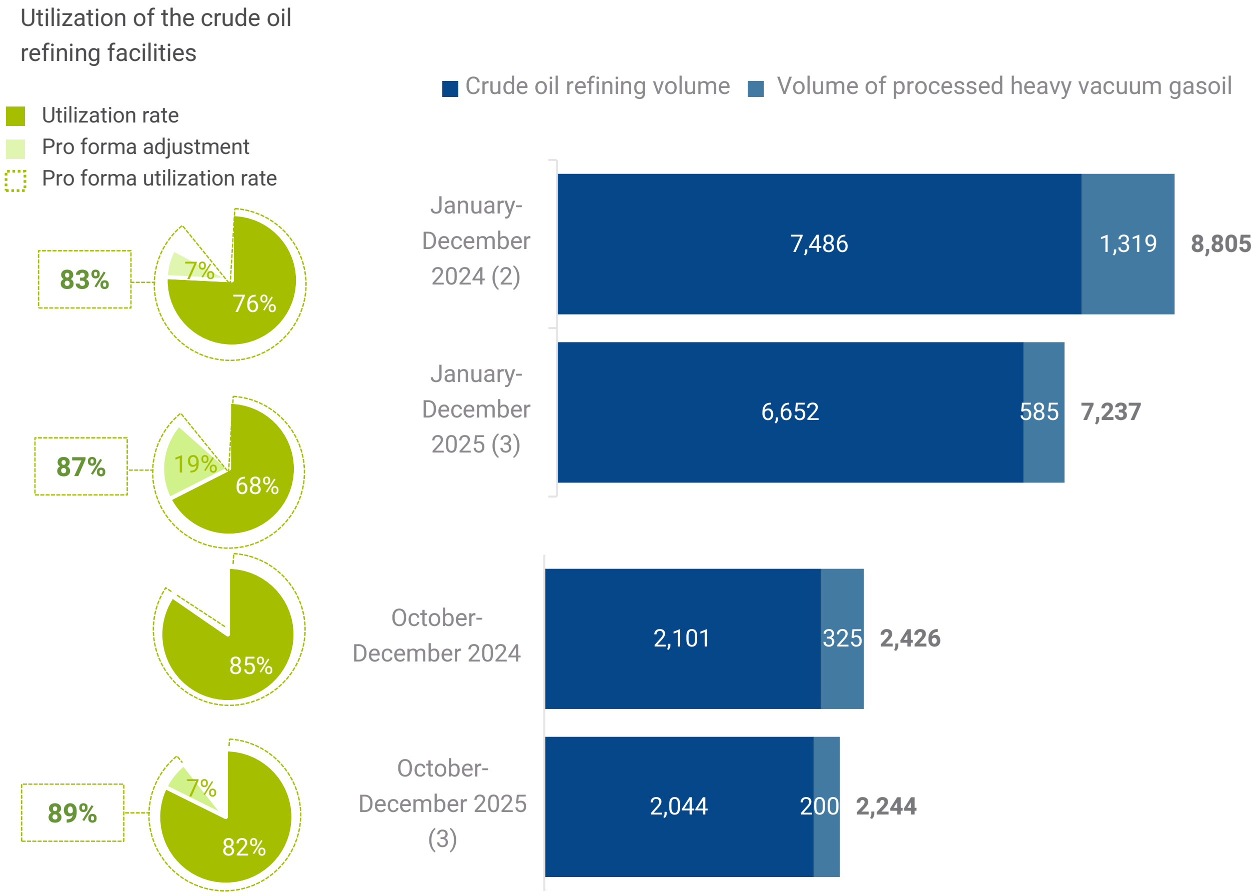
(1) The overall consumption of distillates in the domestic market (transportation fuels, other distillates for industry and heating) has declined by approx. 1% compared to the corresponding period last year, and in the fourth quarter of 2025 - it increased by approx. 2%, compared to the corresponding quarter last year.

(2) Consumption of other distillates (mainly petrochemical products, LPG, marine fuel, bitumen and fuel oil) has decreased in the Reporting Period and in the fourth quarter of 2025, by approx. 15% and approx. 12%, respectively, compared to the corresponding periods last year mainly due to a decrease in consumption of petrochemical products and marine fuel.

(3) Consumption of transportation fuels (gasoline, diesel fuel and kerosene) increased during the Reporting Period and in the fourth quarter of 2025 by approx. 4% and approx. 7%, respectively, compared to corresponding periods last year, mostly due to the increase in consumption of jet fuel and diesel fuel.

Refining volume

Utilization of crude oil refining facilities, crude oil refining volume and HVGO processing in the Refining Segment (in thousands of tons)[(1)]



(1) Crude oil refining volume, and accordingly the utilization of the refining facilities, and the volume of processed heavy vacuum gasoil are affected by optimization considerations, seeking to maximize the Group's profitability starting from the crude oil purchase phase to the production of petroleum products, polymers and aromatics.

(2) The refining volume and, accordingly, the utilization of the refining facilities in the corresponding period last year stemmed mainly from the shutdown of the main crude refining facility (CDU 4) and ancillary facilities for periodic maintenance work. The utilization rate of the refining facilities net of the periodic maintenance work was estimated to be approx. 83%.

(3) The refining volume, and accordingly the utilization of the refining facilities, and the volume of processed heavy vacuum gasoil (HVGO) in the Reporting Period were affected by the following:

- First quarter 2025 - shutdown of the hydrocracker (HCU), hydrogen production facilities, CDU 3 and ancillary facilities for periodic maintenance work.
- Second quarter of 2025 - Shutdown of all refining facilities due to the missile attacks in June 2025.
- Third and fourth quarters of 2025 – a gradual return of the refining facilities to near-full activity.

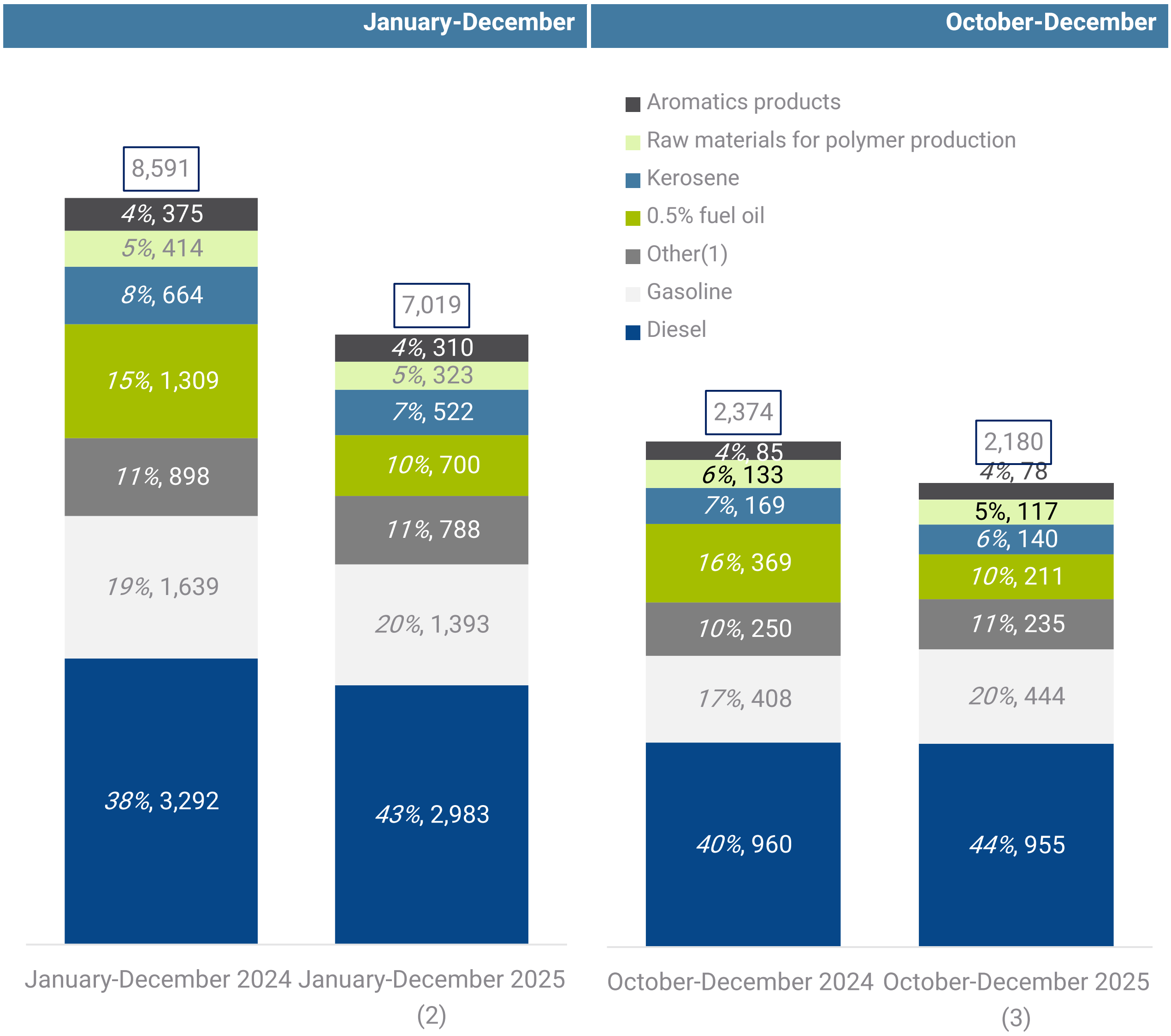
The utilization rate of the refining facilities in the Reporting Period - had it not been for the above effects - was estimated at approx. 87% (approx. 17% due to the effect of the missile attacks and approx. 2% due to the effect of the periodic maintenance work). In the fourth quarter of 2025, the utilization rate of the refining facilities were it not for the effect

the missile attacks was estimated at approx. 89%.

For further details, see Chapter 10 Sections A and B and Note 1C to the Financial Statements.

Breakdown of the Company's output by main product groups in the Refining Segment

Ktons



(1) Primarily includes: bitumen, LPG, 1% fuel oil, and from time to time - naphtha.

(2) Output in the Reporting Period was affected by the following:

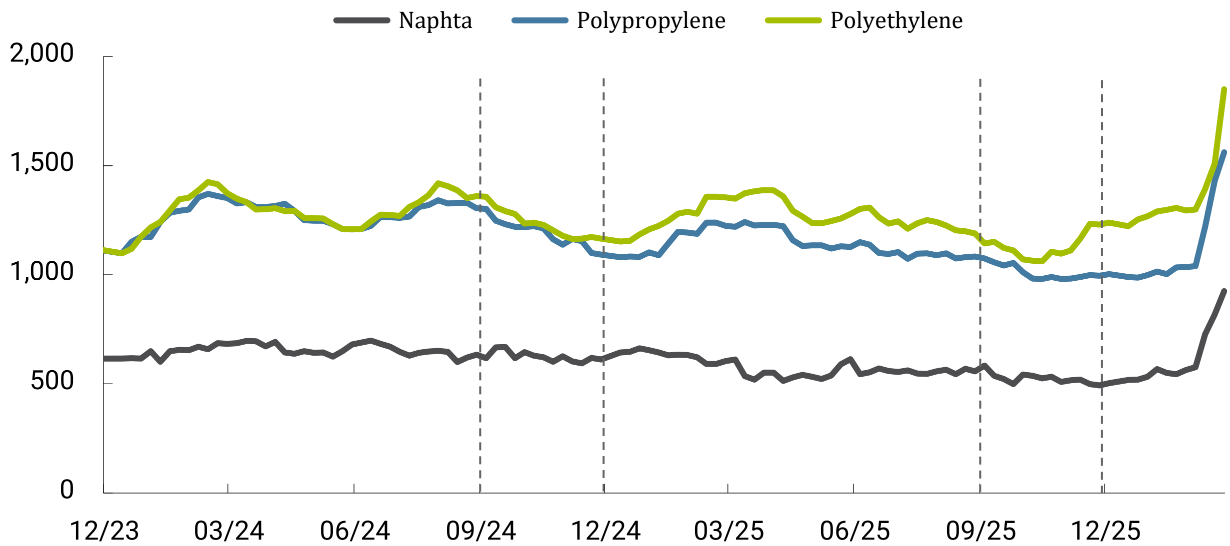
- First quarter 2025 - shutdown of the hydrocracker (HCU), hydrogen production facilities, CDU 3 and ancillary facilities for periodic maintenance work.
- Second quarter of 2025 - Shutdown of all refining facilities due to the missile attacks in June 2025.
- Third and fourth quarters of 2025 – a gradual return of the refining facilities to near-full activity.

Polymers Segment

Polymer and naphtha prices*

Polymer(1) and naphtha(2) prices

In 2025-2024 (USD/ton)

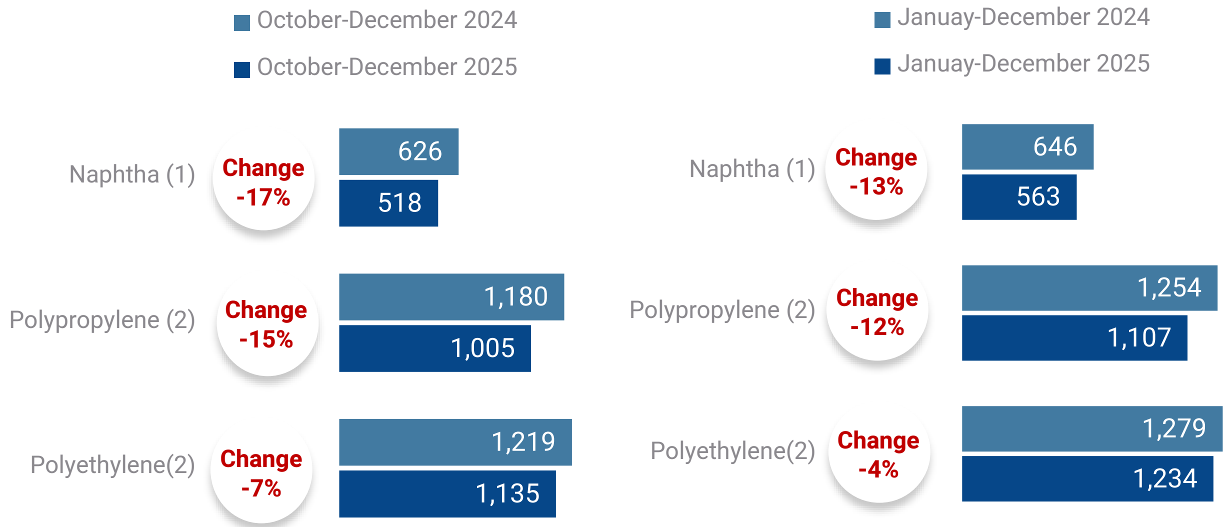


Source: ICIS

(1) Polyethylene - LDPE FD NWE Spot , polypropylene - - PP FD NWE Spot (2) Naphtha CIF NEW

Average polymer and naphtha prices

USD/ton



(1) In the Reporting Period and in the fourth quarter of 2025, the average price of naphtha decreased compared to the corresponding period last year, assuming a trajectory that is similar to the decrease in crude prices.

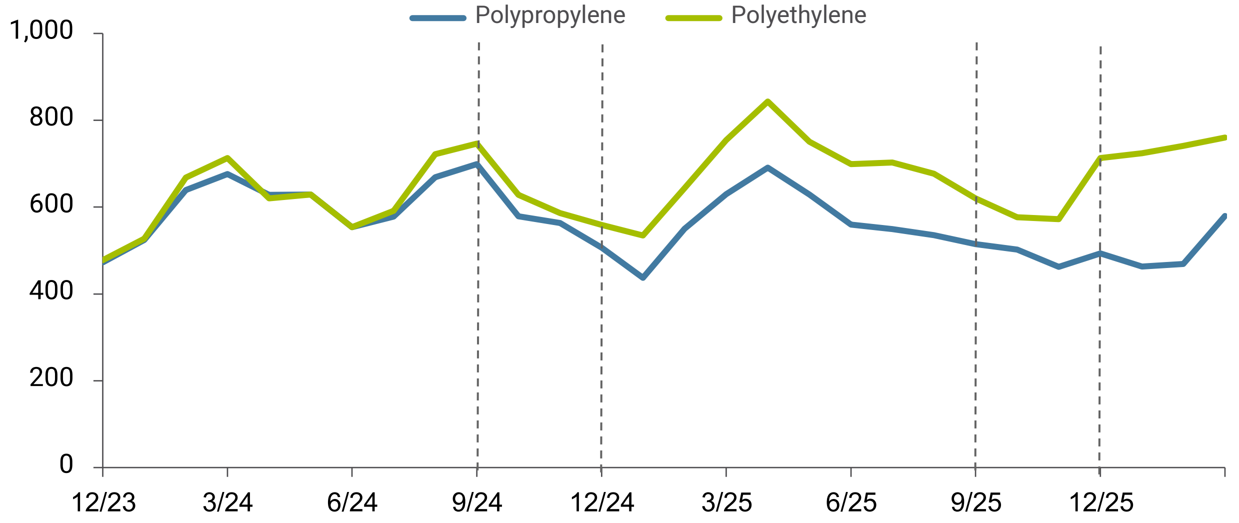
(2) In the Reporting Period and in the fourth quarter of 2025 polypropylene and polyethylene prices declined compared to the corresponding periods last year due to oversupply arising from the construction and expansion of plants, mainly in Asia, alongside weak demand stemming mainly from economic uncertainty, due to, among other things, the imposition of tariffs by the United States.

* There may be discrepancies between the information published herein and its derivatives and financial information published by the Company.

Margins*

Monthly average(1) of polymer margins

Compared to naphtha in 2024-2025 (USD/ton)

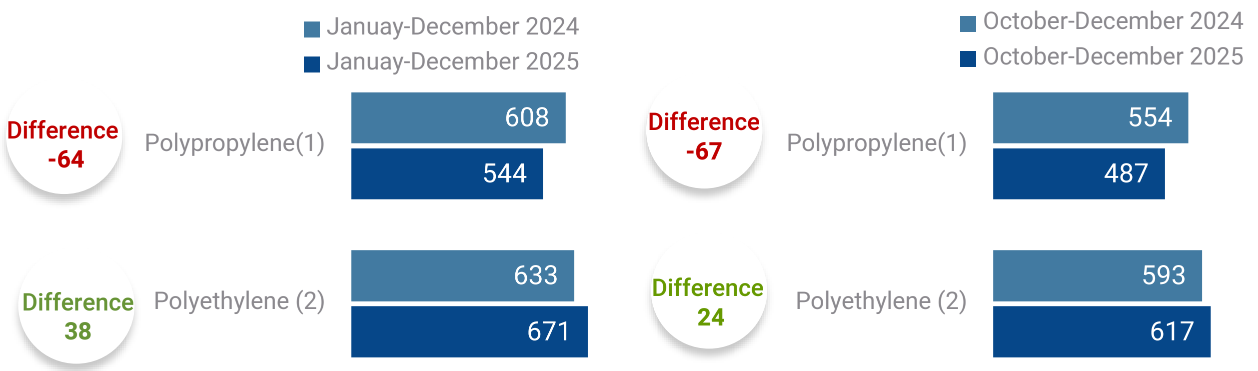


Source: ICIS

(1) Average in March through immediately prior to the report approval date.

Polymer margins

Compared to naphtha (USD/ton)



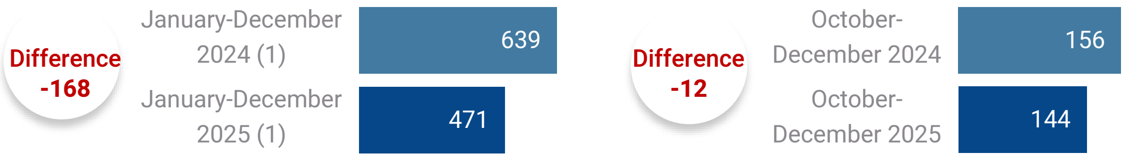
(1) In the Reporting Period and in the fourth quarter of 2025, there was a decrease in the difference between the average polypropylene price and the average naphtha price compared to the corresponding periods last year, due to a decrease in the price of polypropylene.

(2) In the Reporting Period and fourth quarter of 2025, there was an increase in the difference between the average price of polyethylene and the average price of naphtha compared with the corresponding periods last year, due to a decrease in naphta prices offset by a decrease in polyethylene prices.

Immediately prior to the report approval date, polypropylene and polyethylene margins increased to approx. USD 636 and approx. USD 925 per ton, respectively, against the background of limited supply from the Middle East due to the blockage of the Strait of Hormuz, in addition to damage inflicted by Iran to energy facilities in Persian Gulf countries.

Polymer output volume

Ktons



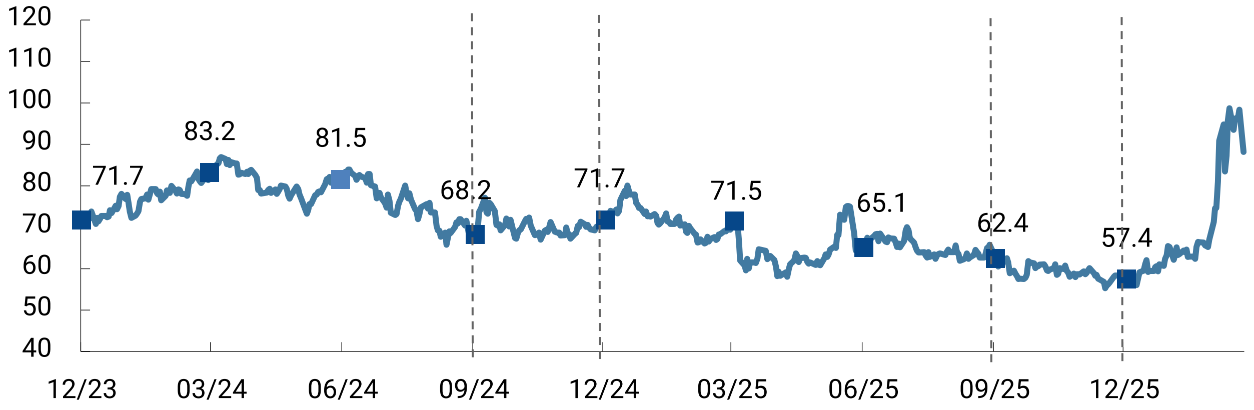
(1) The decrease in the polymer output volumes in the Reporting Period compared to the corresponding period last year arose mainly from the partial capacity of Carmel Olefins' facilities due to the missile attacks, as well as due to the shutdown of Ducor's facilities due to periodic maintenance work during the Reporting Period.

Investment in Oil Asset Segment

Price of crude oil

Crude oil price

Brent WTI[1] prices in 2024-2025 (USD per barrel)

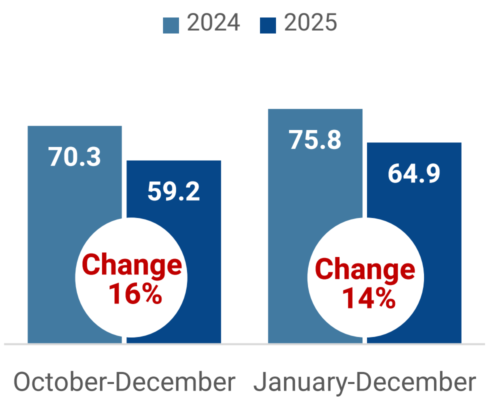


Source: Refinitiv (LSEG)

(1) WTI NYMEX

Average

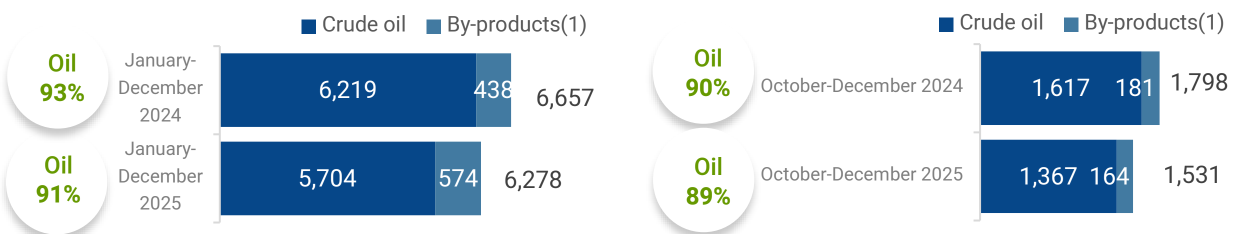
WTI crude price (USD/barrel)



For an explanation of the change in the crude oil prices, see the average Brent crude price above.

Production volume (BOE)

MBBL



(1) By-products such as NGL and natural gas.

Chapter 2

Operating Results of Bazan Group

For the year and for fourth quarter

A. Operating Results of Bazan Group

Selected figures from the consolidated statements of income are reported after adjustment for accounting effects for the year and for the fourth quarter ended December 31, 2025 (USD millions)

To also present the financial-based operating results of the Refining Segment, in order to provide the reader of the Report with related information regarding the cash based operating income; to enable better analysis for comparison with various benchmark indices (that are calculated on an assumption that there are no inventory balances and based on the absence of hedging transactions in respect thereof); and to enable better understanding of the business performance over time and compared to comparable companies; the accounting effects in the Refining Segment are adjusted for the Fuels unit only (excluding the Aromatics unit) and for the operating results of the Investment in Oil Asset Segment.

In this report, the term “Adjusted EBITDA" refers to the abovementioned adjusted EBITDA in the Refining Segment, with respect to the Fuels Unit only, plus reported EBITDA in the Group’s other operating segments, and plus the Company’s share in Cantium’s adjusted EBITDA (an associate) based on the Company’s effective holding stake (52%).

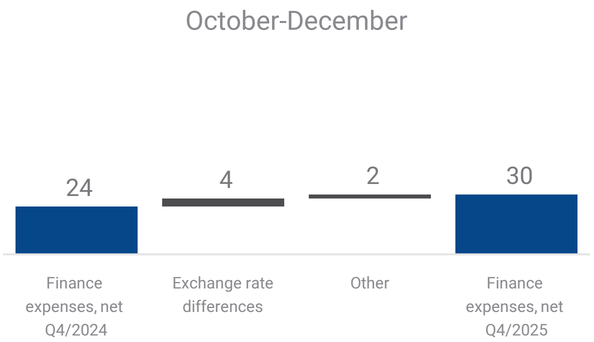
	2025	2024	Change	October-December 2025	October-December 2024	Change
Revenues	5,841	7,542	-23%	1,630	1,793	-9%
Reported EBITDA	**360**	**403**	**-11%**	**168**	**101**	**66%**
Depreciation	(196)	(171)	15%	(48)	(47)	2%
Other expenses, net(1)	(18)	(8)	125%	(3)	(5)	-40%
Operating income	**146**	**224**	**-35%**	**117**	**49**	**139%**
Finance expenses, net(2)	(102)	(85)	20%	(30)	(24)	25%
Company's share in profits of associates	16	-		7	-	
Income tax	(13)	(26)	-50%	(25)	(7)	257%
Net income	**47**	**113**	**-58%**	**69**	**18**	**283%**
Refining Segment adjustments (*)	47	(7)		8	5	
Adjusted EBITDA - Investment in Oil Asset Segment(**)	39	-		22	-	
Adjusted EBITDA	**446**	**396**	**13%**	**198**	**106**	**87%**
Adjusted operating income	**193**	**217**	**-11%**	**125**	**54**	**131%**
Adjusted net income	**94**	**106**	**-11%**	**77**	**23**	**235%**

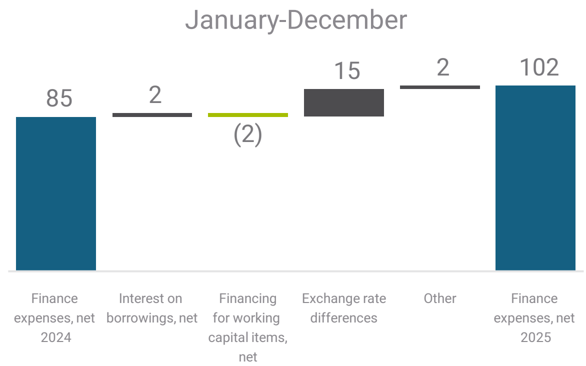
(*) For details regarding the adjustment components, see Sections B3 and C3 below.

(**) The Company’s share of the adjusted EBITDA of Cantium (an associate) according to the Company’s effective holding rate (52%). In 2025, for the period of August-December 2025. For details regarding the adjustment components, see Sections B3 and C3 below.

(1) Including amortization of excess cost. For details regarding the composition of the other expenses, net item, see Note 25 to the Financial Statements.

(2) Following is a breakdown of principal changes in net finance expenses, based on financial analysis (in USD millions):





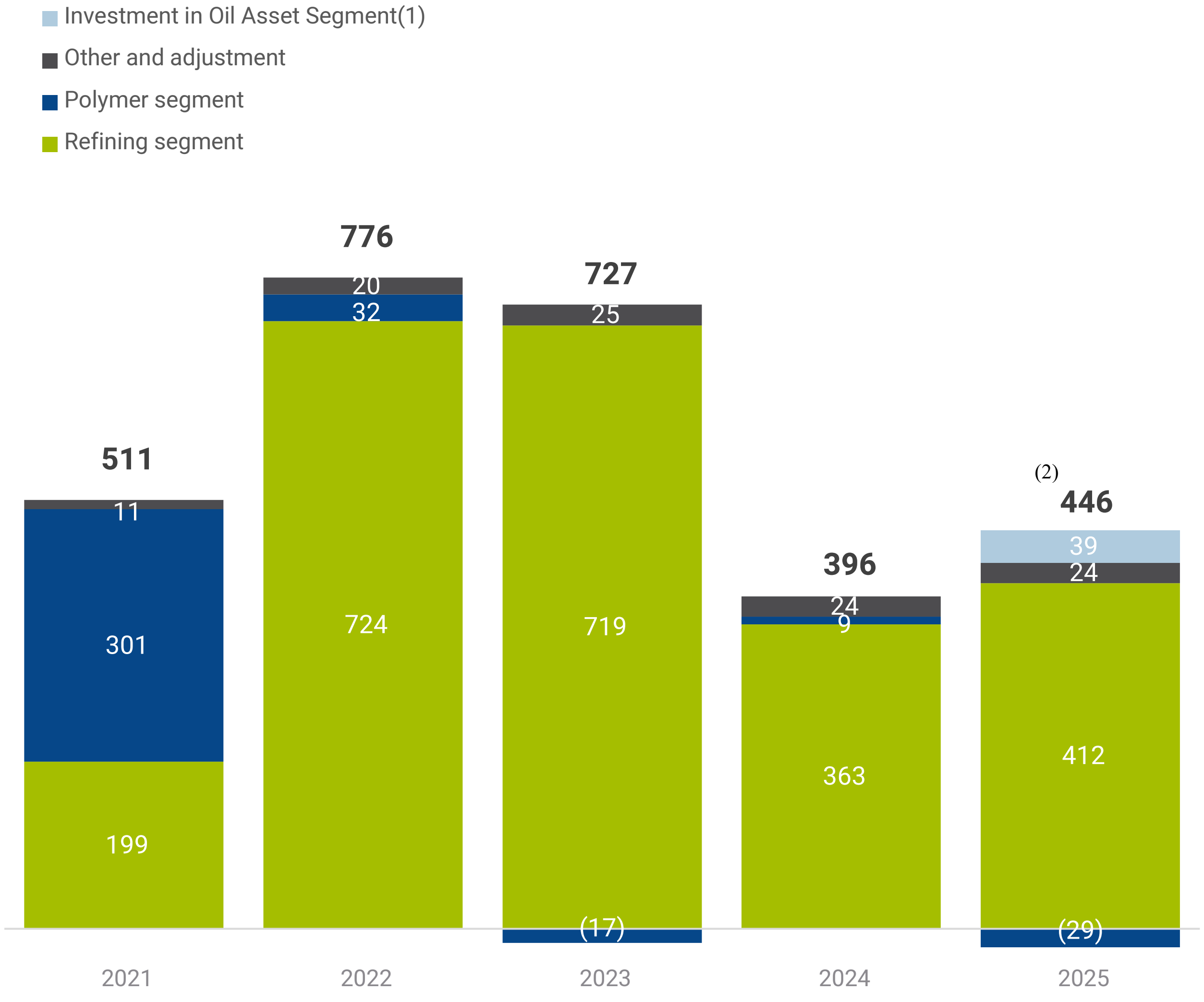
For details regarding the Group's exposure to changes in variable USD interest, see Note 30D to the Financial Statements.

For further details regarding finance expenses, see Note 26 to the Financial Statements.

Consolidated adjusted EBITDA

By operating segments (in USD millions)

	2025	2024	Change	October-December 2025	October-December 2024	Change
Refining Segment	412	363	49	200	101	99
Polymers Segment	(29)	9	(38)	(30)	(2)	(28)
Investment in Oil Asset Segment[1]	39	-	39	22	-	22
Other and adjustments	24	24	-	6	7	(1)
Total	**446**	**396**	**50**	**198**	**106**	**92**

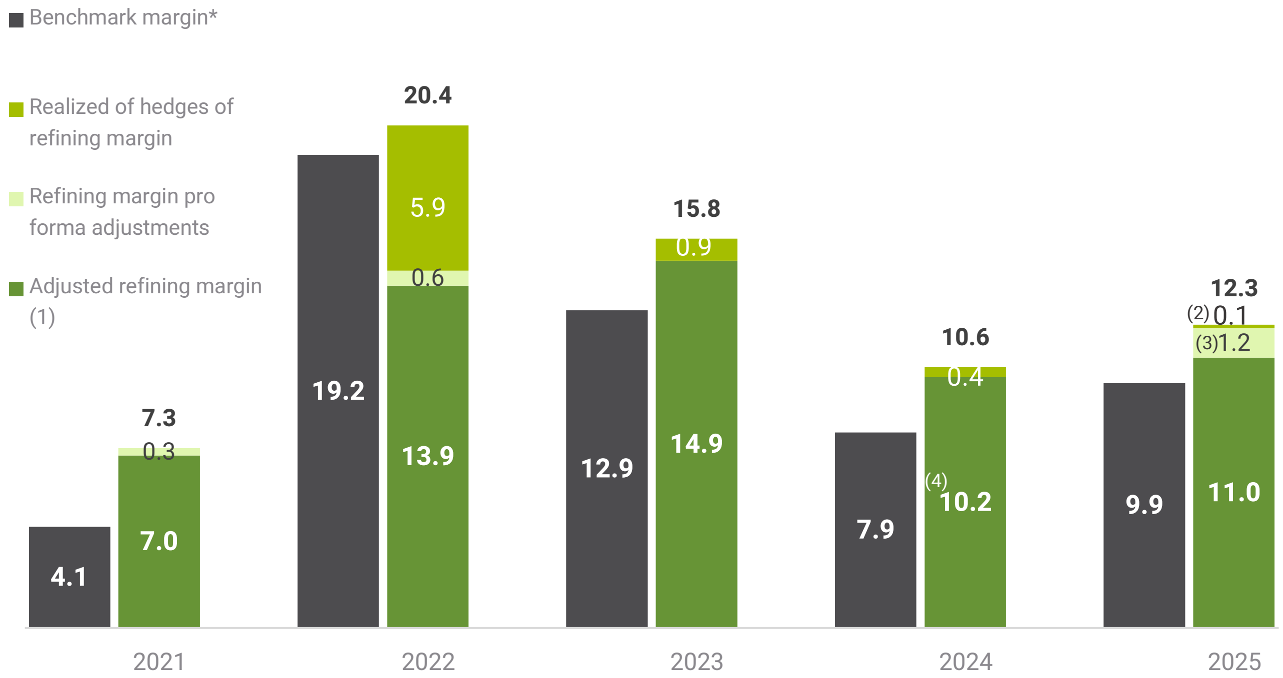


(1) The Company's share of the adjusted EBITDA of Cantium (an associate) for August-December 2025, according to the Company's effective holding rate (52%).

(2) The consolidated adjusted EBITDA in 2025 includes revenues from loss of income insurance totaling approx. USD 160 million (out of a total claim of approx. USD 218 million). For details, see Section B2 below.

Refining margin

USD per barrel



(1) For details regarding the adjustment components, see Section B3 below.

(2) For details regarding a loss on the realization of transactions entered into in order to hedge the refining margin, see Section B3 below.

(3) For details regarding the calculation of the pro forma margin during the Reporting Period net of periodic maintenance work in the hydrocracker (HCU), production of hydrogen, CDU 3 and ancillary facilities, and net of the partial capacity of the Company's facilities (due to missile attacks), see Section B3 below.

(4) The pro forma margin, net of the gain from the termination of the inventory availability agreement, was estimated at approx. USD 9.6 per barrel. For details, see Sections B2 and B3 below.

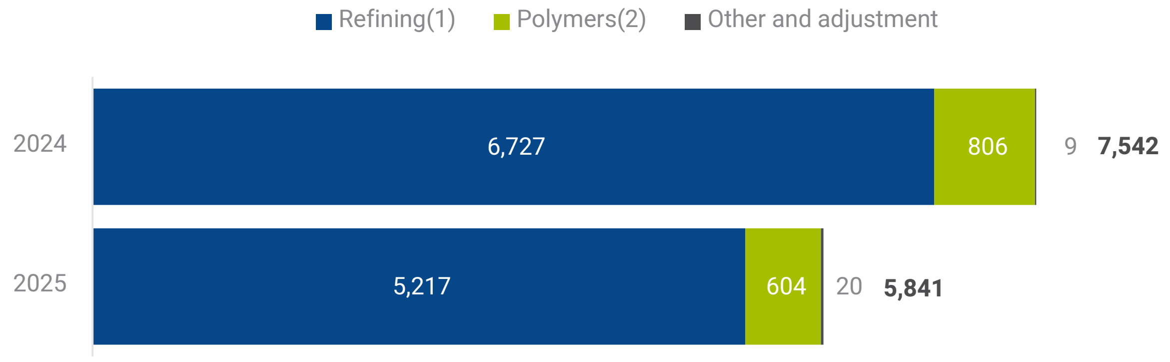
Benchmark margin*

- Calculated according to a fixed formula in which the margin is defined as the financial difference between the proceeds from the product mix and the cost of crude oil and HVGO (hereinafter, jointly - the "**crudes basket**"), taking into account the variable costs involved in the refining process, which is typical of Bazan's facilities. The said financial difference, divided by the normative refining amount, constitutes the margin in terms of USD per barrel.
- The crudes basket has characteristics that are similar to a typical basket of Bazan, for which a global market quote is available.
- The product mix represents the outputs of the crudes basket in the formula. These products are sold in domestically and abroad, and a global market quote is available for them.
- Variable costs involved in the refining process mainly include energy expenses; the energy is provided through the purchase of natural gas in accordance with Bazan's purchase contract as well as through the use of own-produced combustion gases.
- Global market quotes for the crudes basket and products are determined according to quotes of Platts (member of the S&P group), which change every business day on which the said quotes are published.
- The benchmark margin is a theoretical margin calculated under the assumption of regular and full operation of the refinery and, accordingly, does not reflect periodic maintenance work, ongoing malfunctions, short-term optimization considerations, realization of derivatives hedging the refining margin, certain inventory effects, etc.
- According to the above and for additional reasons, there may be substantial differences between the benchmark margin and the Company's actual adjusted refining margin.
- As from March 11, 2024, the crudes basket does not include condensate.

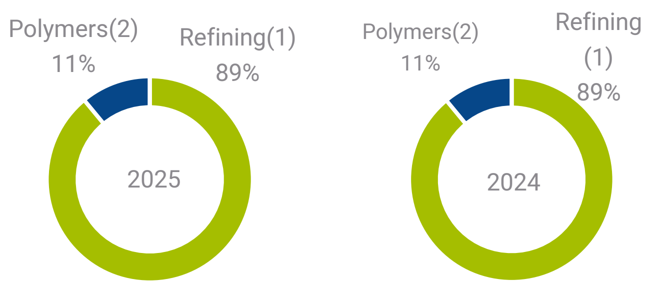
* Calculated by Energy Market Consultants (EMC) (https://www.fgenergy.com) and published on the Refinitiv platform.

B. Analysis of the results for the year

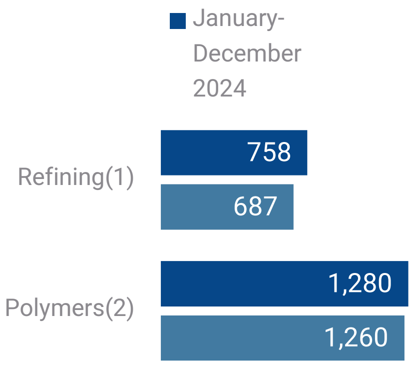
1. Turnover of sales to external customers, by operating segment*, in USD millions



Breakdown of sales



Average prices of the product mix, USD per ton

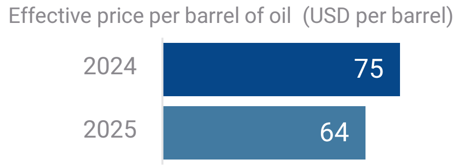


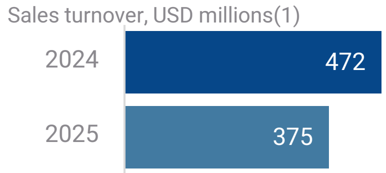
(1) The decrease in the turnover of the Refining Segment during the Reporting Period compared with the corresponding period last year resulted from a decrease in the sold quantity, mostly due to the partial capacity of the Company's facilities following the missile attacks, as well as from a decrease in the distillates price (which is based on the Brent price).

(2) The decrease in the Polymers Segment's sales turnover during the Reporting Period compared to the corresponding period last year arose mainly from a decrease in the sold quantity due to the partial capacity of Carmel Olefins' facilities following the missile attacks and the shutdown of Ducor's facilities due to periodic maintenance work during the Reporting Period.

* It is noted that in the refining and petrochemical industry, the main factor affecting the operating results is not the sales turnover, but rather the refining and petrochemical margins, which is the difference between the revenue from the sale of a mix of products and the costs of the energy and raw materials required for their production. In addition, the results are affected by the utilization of production facilities.

Sales turnover - Investment in Oil Asset Segment





(1) Cantium's (an associate) sales turnover.

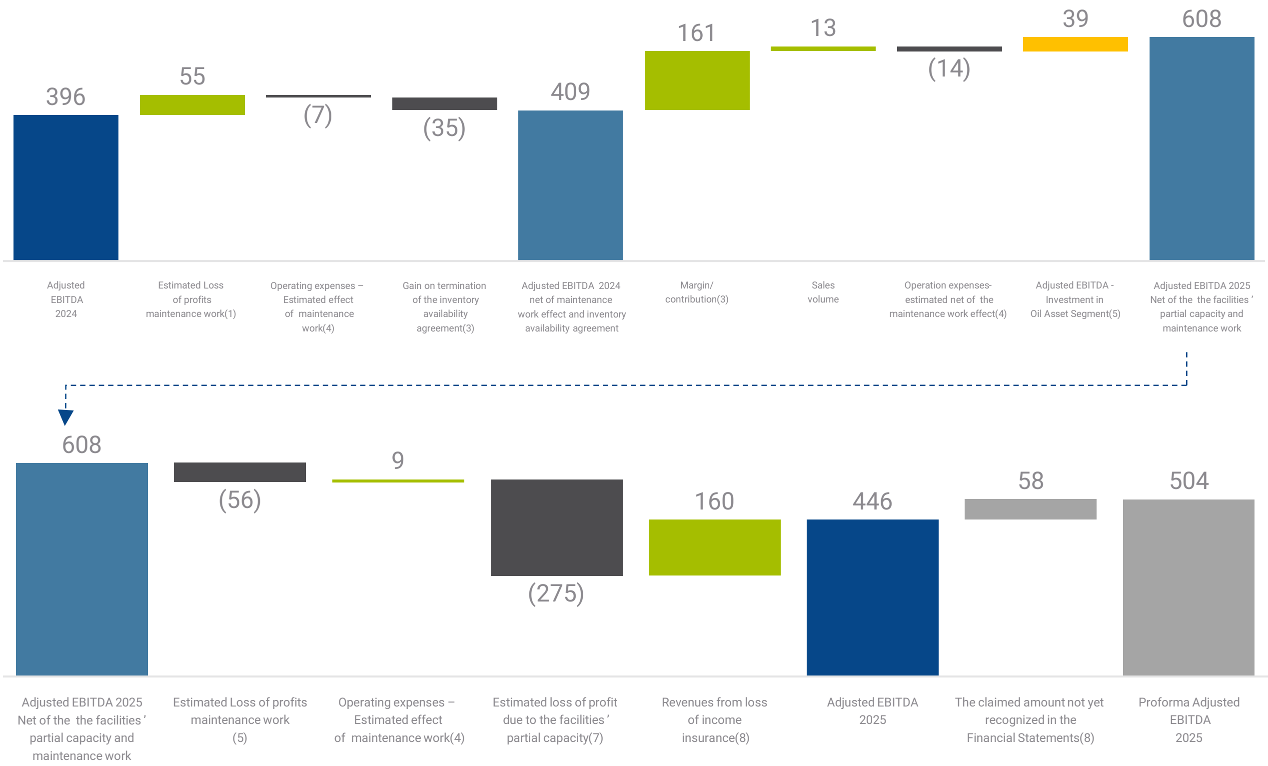
(2) Effective price per crude oil barrel, without byproducts.

2. Consolidated adjusted EBITDA in the operating segments

Following is a breakdown of the main reasons for the changes in consolidated adjusted EBITDA for the operating segments in the Reporting Period compared to the corresponding period last year.

Main reasons for the change in consolidated adjusted EBITDA

USD millions



Increase (decrease)	Refining	Polymers	Investment in Oil Asset	Other and adjustments	Consolidated
Adjusted EBITDA in 2024	**363**	**9**	**-**	**24**	**396**
Estimated loss of income due to periodic maintenance work in 2024(1)	49	6	-	-	55
Gain on termination of the inventory availability agreement in 2024(2)	(35)	-	-	-	(35)
Margin/ contribution(3)	177	(16)	-	-	161
Turnover	27	(14)	-	-	13
Operating expenses(4)	(13)	1	-	-	(12)
Adjusted EBITDA - Investment in Oil Asset Segment(5)	-	-	39	-	39
Estimated loss of income due to periodic maintenance work in 2025(6)	(56)	-	-	-	(56)
Estimated loss of income due to the facilities' partial capacity (following the missile attacks)(7)	(233)	(42)	-	-	(275)
Revenues from loss of income insurance(8)	133	27	-	-	160
Total change	**49**	**(38)**	**39**	**-**	**50**
Adjusted EBITDA in 2025	**412**	**(29)**	**39**	**24**	**446**

(1) In 2024, periodic maintenance work was carried out in the main crude refining facility (CDU 4) and in ancillary facilities.

(2) Upon termination of the inventory availability agreement, the Company recognized an income of approx. USD 35 million with respect to termination of hedging transactions regarding the inventory realized during the fourth quarter of 2024.

(3) For analyzing the EBITDA, the change in marketing and selling expenses (transportation, storage and etc.) were included in the contribution analysis.

(4) Includes fixed production, general and administrative. The change stems mainly from the the NIS's appreciation against the USD and an increase in electricity expenses, in light of the damage to the Energy Center sustained in the missile attacks.

(5) The Company's share of the adjusted EBITDA of Cantium (an associate) for August-December 2025, according to the Company's effective holding rate (52%).

(6) During the first quarter of 2025, periodic maintenance work was carried out in the hydrocracker (HCU), hydrogen production unit, CDU 3 and ancillary facilities. For details, see Chapter 10B below.

(7) Total estimated loss of income due to the partial capacity of the Group's Facilities (following the missile attacks), which also includes the deductible period, which ended on July 13, 2025.

(8) For the period covered by the insurance policy (from the end of the deductible period through December 31, 2025), the Company filed a claim totaling approx. USD 218 million, based on its assessment of the extent of the indirect damage during that period. Out of the claimed amount, during the Reporting Period, revenues from loss of income insurance totaled approx. USD 160 million based on the rate of advances determined by the insurers. The claimed amount for loss of income not yet recognized in the Financial Statements totals approx. USD 58 million. It is clarified that there is no certainty that the abovementioned claimed amount will be received in full from the insurers. For details, see Note 1C to the Financial Statements.

3. Adjustment components

Breakdown of adjustment components in the Refining Segment (with respect to the Fuels Unit) and their effect on EBITDA
USD millions

	2025	2024
Reported EBITDA - Refining Segment	**365**	**370**
Effects of timing differences(1)	39	26
Effect of adjusting value of inventory to market value, net(2)	16	(18)
Effects of changes in fair value of derivatives(3), (4)	(8)	(15)
Total adjustments	**47**	**(7)**
Adjusted EBITDA	**412**	**363**
Adjusted margin - USD per barrel	**11.0**	**10.2**
Adjusted pro forma refining margin - USD per barrel	**12.2(5)**	**9.6(6)**
Benchmark margin - USD per barrel	**9.9**	**7.9**

(1) Expenses (revenues) arising from changes in the value of unhedged inventory, including changes in accounting provision for impairment thereof, at the end of the Reporting Period, if any. In accordance with the Company's policy, the Company does not engage in hedging contracts for inventory of up to 730 thousand tons, other than the inventories under the inventory availability transaction, which is detailed in Note 20B4 to the Financial Statements. As at the report approval date, the volume of the Company's inventory that is not hedged by contracts is approx. 525 thousand tons.

(2) Expenses (revenues) arising from changes in the adjustment of the balance of hedged inventory to market value.

(3) Expenses (revenues) arising from revaluation of the fair value of open positions that do not relate to hedged inventory, such as hedging of refining margins. The cumulative profit or loss with regard to these positions will be attributed to the adjusted EBITDA at disposal.

(4) During the reporting period, the Company recognized an adjusted EBITDA for a loss in realizing refining margin hedges totaling approx. USD 8 million (approx. USD 0.1 per barrel).

During the corresponding period last year, the Company recognized an adjusted EBITDA for a loss in realizing refining margin hedges totaling approx. USD 25 million (approx. USD 0.4 per barrel).

(5) The pro forma margin during the reporting period, net of the Company's facilities' partial activity (in light of the missile attacks), as well as net of periodic maintenance work at the hydrocracker facilities (HCUs), hydrogen production and ancillary facilities, was calculated as follows:

A. The estimated loss of income was added to the Company's adjusted refining margin (in USD millions).

B. The adjusted margin was divided by the number of crude oil barrels and intermediate materials that the Company would have processed in the Reporting Period were it not for the partial capacity of the Company's facilities (due to the missile attacks) and the periodic maintenance work.

(6) The pro forma margin for the corresponding period last year, net of the gain from the termination of the inventory availability agreement. For details, see Section B2 above.

Adjustment components in the Investment in Oil Asset Segment and their effect on the EBITDA

USD millions

	August-December 2025
Reported EBITDA - Investment in Oil Asset Segment	**44**
Effects of changes in fair value of derivatives[1]	(5)
Total adjustments	**(5)**
Adjusted EBITDA[2]	**39**

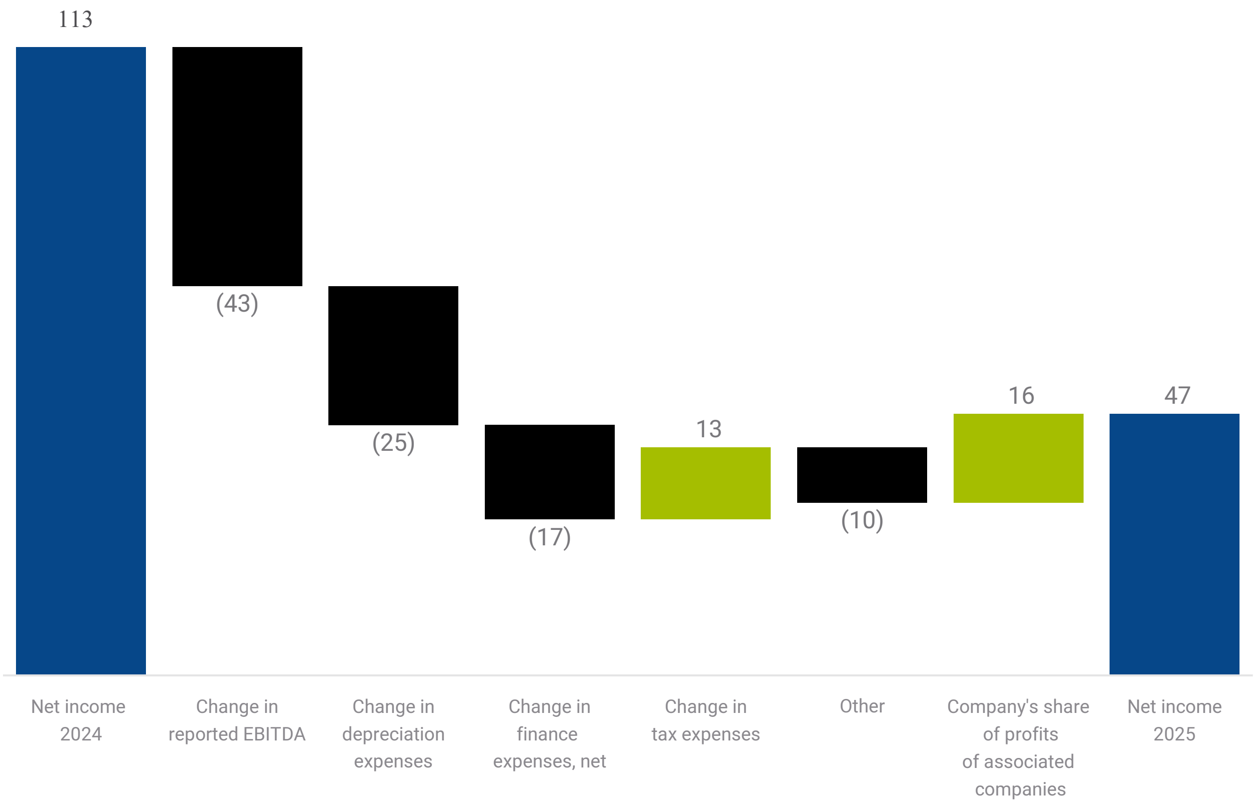
(1) Unrealized hedging expenses (gains).

(2) The Company's share of the adjusted EBITDA of Cantium (an associate) according to the Company's effective holding rate (52%).

4. Net income

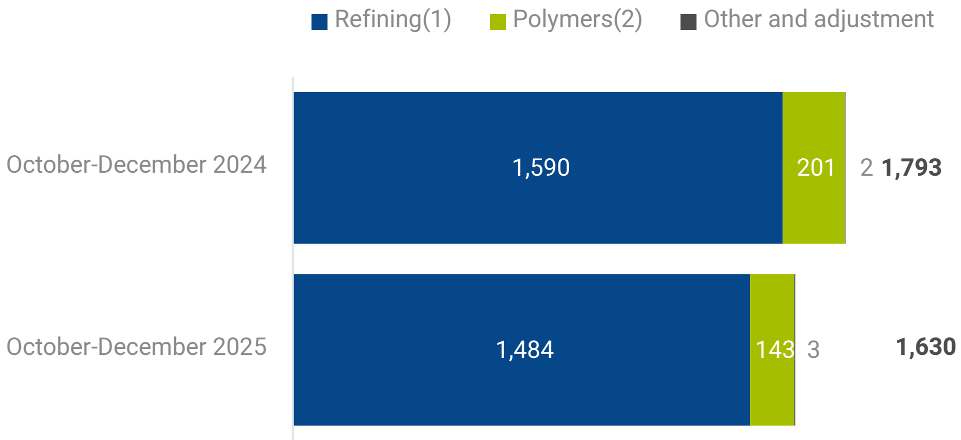
Main reasons for the change in the consolidated net income

USD millions

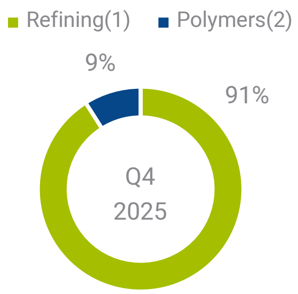


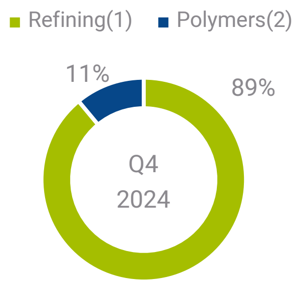
C. Analysis of results for the three-month period

1. Turnover of sales to external customers, by operating segment*, in USD millions

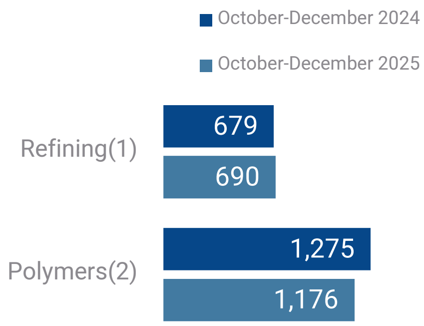


Breakdown of sales





Average prices of the product mix, USD per ton

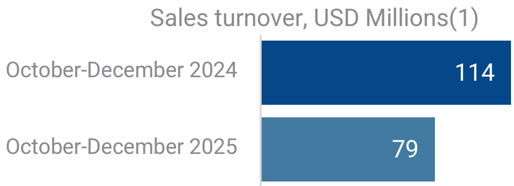


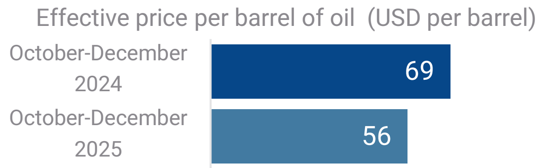
(1) The decrease in the sales turnover of the Refining Segment during the fourth quarter of 2025 compared to the corresponding quarter last year arose from a decrease in the sold quantity mainly due to the partial capacity of the Company's facilities after the missile attack, offset by an increase in distillate prices (which are based on the Brent price).

(2) The decrease in the sales turnover of the Polymers Segment during the fourth quarter of 2025 compared to the corresponding quarter last year arose from a decrease in the sold quantity alongside a decline in polymer prices.

* It is noted that in the refining and petrochemical industry, the main factor affecting the operating results is not the sales turnover, but rather the refining and petrochemical margins, which is the difference between the revenue from the sale of a mix of products and the costs of the energy and raw materials required for their production. In addition, the results are affected by the utilization of production facilities.

Sales turnover - Investment in Oil Asset Segment





(1) Cantium's (an associate) sales turnover.

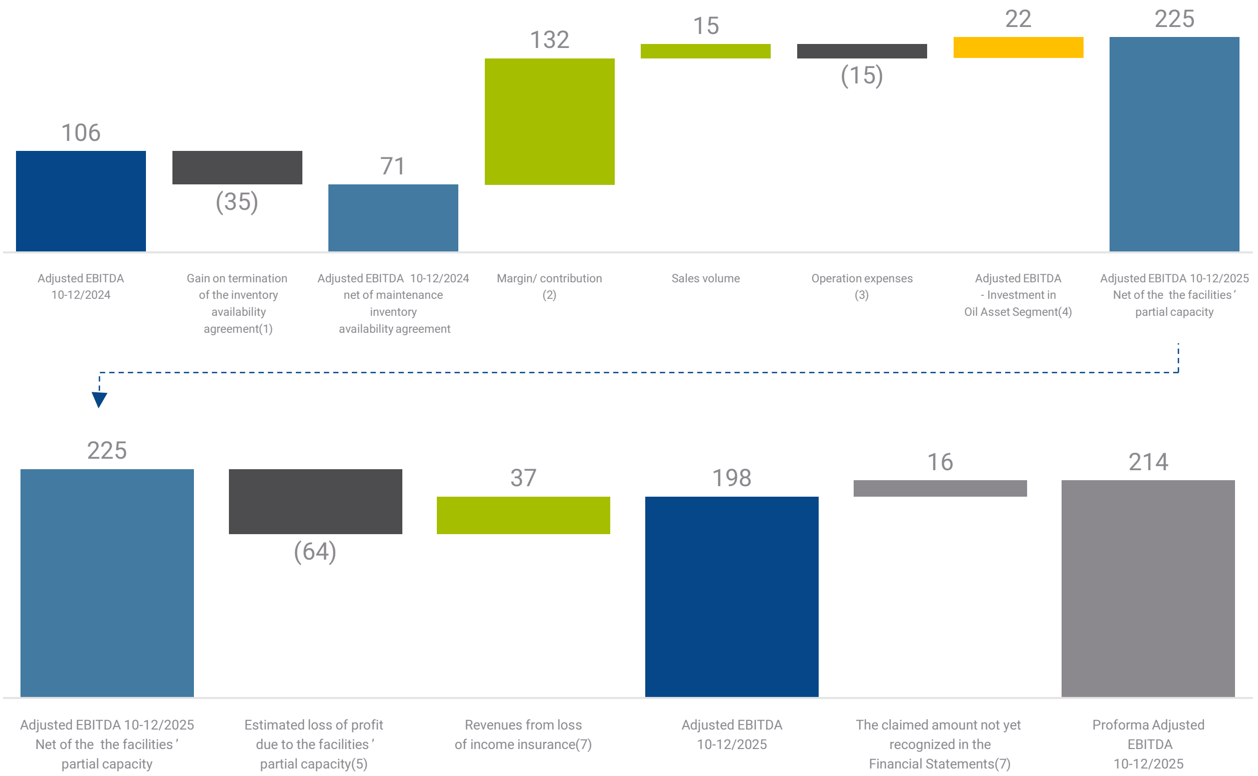
(2) Effective price per crude oil barrel, without byproducts.

2. Consolidated adjusted EBITDA in the operating segments

Following is a breakdown of the main causes for the decrease in the adjusted consolidated EBITDA for the operating segments in the fourth quarter of 2025, compared to the corresponding quarter last year.

Main reasons for the change in consolidated adjusted EBITDA - by segments

USD millions



Increase (decrease)	Refining	Polymers	Investment in Oil Asset	Other and adjustments	Consolidated
Adjusted EBITDA in October-December 2024	**101**	**(2)**	**-**	**7**	**106**
Gain on termination of the inventory availability agreement in 2024(1)	(35)	-	-	-	(35)
Margin/ contribution(2)	139	(6)	-	(1)	132
Turnover	16	(1)	-	-	15
Operating expenses(3)	(12)	(3)	-	-	(15)
Adjusted EBITDA - Investment in Oil Asset Segment(4)	-	-	22	-	22
Estimated loss of income due to the facilities' partial capacity (following the missile attacks)(5)	(45)	(19) (6)	-	-	(64)
Revenues from loss of income insurance(7)	36	1	-	-	37
Total change	**99**	**(28)**	**22**	(1)	**92**
Adjusted EBITDA in October-December 2025	**200**	**(30)**	**22**	**6**	**198**

(1) For details, see Section B2 above.

(2) For analyzing the EBITDA, the change in marketing and selling expenses (transportation, storage and etc.) were included in the contribution analysis.

(3) Includes fixed production, general and administrative. The change stems mainly from the the NIS's appreciation against the USD and an increase in electricity expenses, in light of the damage to the Energy Center sustained in the missile attacks.

(4) The Company's share of the adjusted EBITDA of Cantium (an associate) according to the Company's effective holding rate (52%).

(5) Total estimated loss of income due to partial capacity of the Group's facilities (following the missile attacks) in the fourth quarter of 2025.

(6) The estimated loss of income presented was affected by building inventory to a normative level (as a result of partial activity during the third quarter 2025).

(7) For the fourth quarter, the Company filed a claim totaling approx. USD 53 million, based on its assessment of the scope of indirect damage incurred during the quarter. Out of the claimed amount, revenues from loss of income insurance totaled approx. USD 37 million based on the rate of advances determined by the insurers. The claimed amount for loss of income for the fourth quarter not yet recognized in the Financial Statements totals approx. USD 16 million. It is clarified that there is no certainty that the abovementioned claimed amount will be received in full from the insurers. For details, see Note 1C to the Financial Statements.

3. Adjustment components

Breakdown of adjustment components in the Refining Segment (with respect to the Fuels Unit) and their effect on EBITDA

USD millions

	October-December 2025	October-December 2024
Reported EBITDA - Refining Segment	**192**	**96**
Effects of timing differences[1]	23	8
Effect of adjusting value of inventory to market value, net[1]	(5)	(5)
Effects of changes in fair value of derivatives[1], [2]	(10)	2
Total adjustments	**8**	**5**
Adjusted EBITDA	**200**	**101**
Adjusted margin - USD per barrel	**15.0**	**10.3**
Adjusted pro forma refining margin - USD per barrel	**16.3**[3]	**8.3**[4]
Benchmark margin - USD per barrel	**14.1**	**6.4**

(1) For details, see Section B3 above.

(2) During the fourth quarter of 2025, the Company recognized an adjusted EBITDA for a loss in realizing refining margin hedges totaling approx. USD 4 million (approx. USD 0.3 per barrel).

In the corresponding quarter last year, no hedges of the refining margin were realized.

(3) The pro forma margin in the fourth quarter of 2025, net of the partial capacity of the Company's facilities (due to the missile attacks) was calculated as follows:

A. The estimated loss of income was added to the Company's adjusted refining margin (in USD millions).

B. The adjusted margin was divided by the number of crude oil barrels and intermediate materials that the Company would have processed in the fourth quarter of 2025 were it not for the partial capacity of the Company's facilities (due to the missile attacks).

(4) The pro forma margin for the fourth quarter of 2024 net of the gain from the termination of the inventory availability agreement. For details, see Section B2 above.

Adjustment components in the Investment in Oil Asset Segment and their effect on the EBITDA

USD millions

	October-December 2025
Reported EBITDA - Investment in Oil Asset Segment	**25**
Effects of changes in fair value of derivatives[1]	(3)
Total adjustments	**(3)**
Adjusted EBITDA[2]	**22**

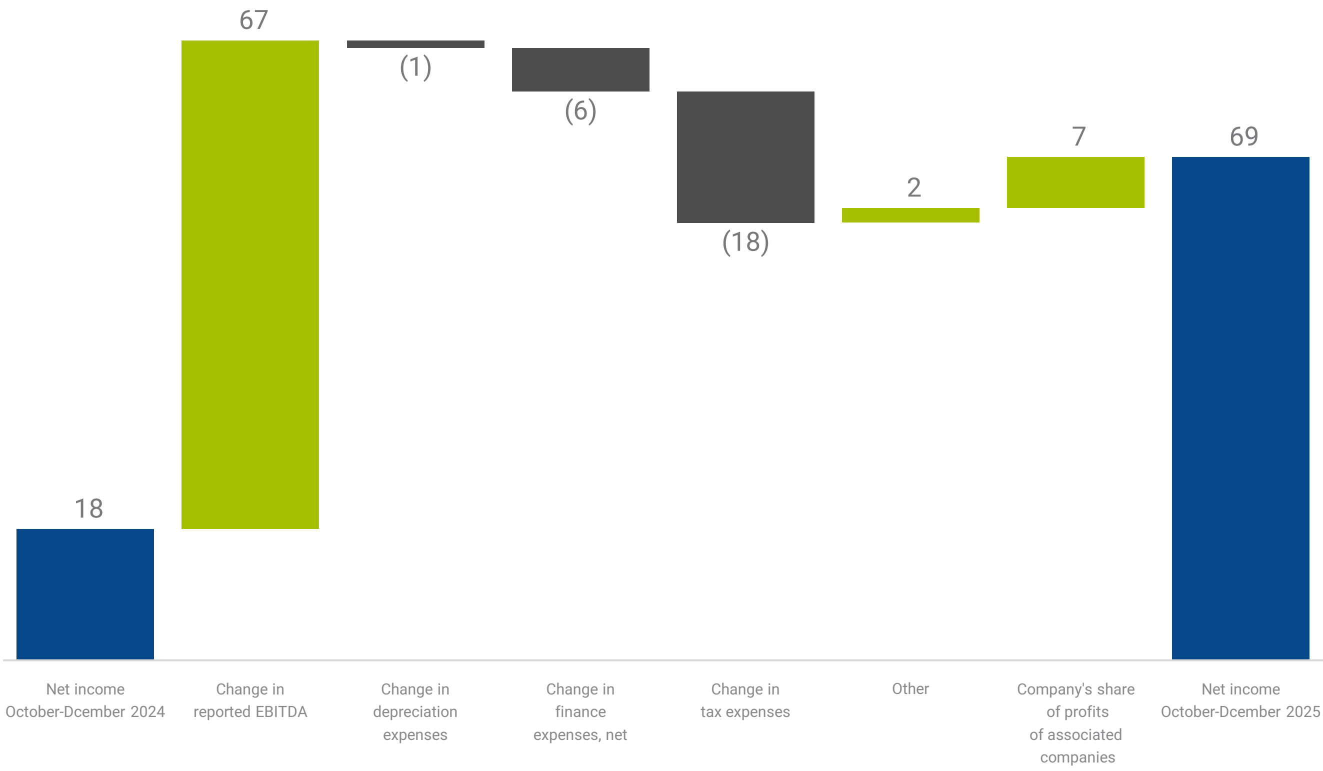
(1) Unrealized hedging expenses (gains).

(2) The Company's share of the adjusted EBITDA of Cantium (an associate) according to the Company's effective holding rate (52%).

4. Net income

Main reasons for the change in the consolidated net income

USD millions



D. Reported and adjusted consolidated quarterly accounting results for 2025

USD millions

	January-March	April-June	July-September	October-December	2025
Revenues	1,560	1,469	1,182	1,630	5,841
Cost of sales	(1,540)	(1,434)	(1,204)	(1,493)	(5,671)
Gross income	**20**	**35**	**(22)**	**137**	**170**
Selling and marketing expenses	(30)	(32)	(15)	(33)	(110)
General and administrative expenses	(14)	(14)	(15)	(23)	(66)
Revenues from loss of income insurance	-	-	123	37	160
Other revenues (expenses), net	6	(10)	(3)	(1)	(8)
Operating income	**(18)**	**(21)**	**68**	**117**	**146**
Finance expenses, net	(18)	(27)	(27)	(30)	(102)
Company's share in profits of associates	-	-	9	7	16
Profit before income tax	**(36)**	**(48)**	**50**	**94**	**60**
Income tax	5	11	(4)	(25)	(13)
Net income (loss)	**(31)**	**(37)**	**46**	**69**	**47**
Other comprehensive income (loss)	**(7)**	**(11)**	**2**	**(2)**	**(18)**
Comprehensive income (loss)	**(38)**	**(48)**	**48**	**67**	**29**
Reported EBITDA	**27**	**44**	**121**	**168**	**360**
Adjusted EBITDA(1)	**40**	**76**	**132**	**198**	**446**

(1) Including the Company's share of the adjusted EBITDA of Cantium (an associate) according to the Company's effective holding rate (52%), for August to December 2025.

Chapter 3

Analysis of financial position

Equity to asset ratio	Equity to asset ratio
39%	**40%**
December 31, 2025	December 31, 2024

Analysis of Financial Position (Balance Sheet)

USD millions

Explanation	Change	December 31, 2024	December 31, 2025	Item
In respect of an increase of approx. USD 58 million in receivables, which arises mainly from revenues receivable from loss of income insurance (for details see Note 1C to the Financial Statements) and an increase in VAT institutions, offset by a decrease in trade receivables totaling approx. USD 50 million, which arises mainly from a decrease in quantity.	1%	615	623	**Trade and other receivables**
Mainly in respect of a decrease in prices in the Refining Segment.	-13%	711	619	**Inventories**
For details regarding the increase in the balance of property, plant and equipment, see Notes 11A and 12A to the Financial Statements.	2%	2,302	2,353	**Property, plant & equipment, net**
Mainly due to a decrease of approx. USD 45 million in trade payables, arising mainly from a decrease in price, and a decrease of approx. USD 30 million in payables, arising mainly from a decrease in the balance of taxes payable (for details, see Note 15B to the Financial Statements).	-7%	1,065	993	**Trade, other payables and provisions**
Mainly due to an increase in assets, net in respect of cross-currency interest rate and principal swaps at totaling approx. USD 98 million (of which approx. USD 95 million are in respect of exchange differences (*)).	-256%	(39)	61	**Asset (liability) for financial derivatives, net**
Mainly due to raisings offset by repayments of debentures and loans totaling approx. USD 26 million as well as exchange rate differences (*) totaling approx. USD 95 million.	11%	1,119	1,247	**Long-term loans and debentures (including current maturities)**
Mainly due to a net income for the year totaling approx. USD 47 million net of a dividend distribution of USD 50 million.	-1%	1,764	1,746	**Equity**

(*) Generally, the Group takes action to hedge the NIS debentures through principal and interest swaps. Accordingly, the effect of debenture exchange rate differences were substantially offset.

Chapter 4

Liquidity analysis

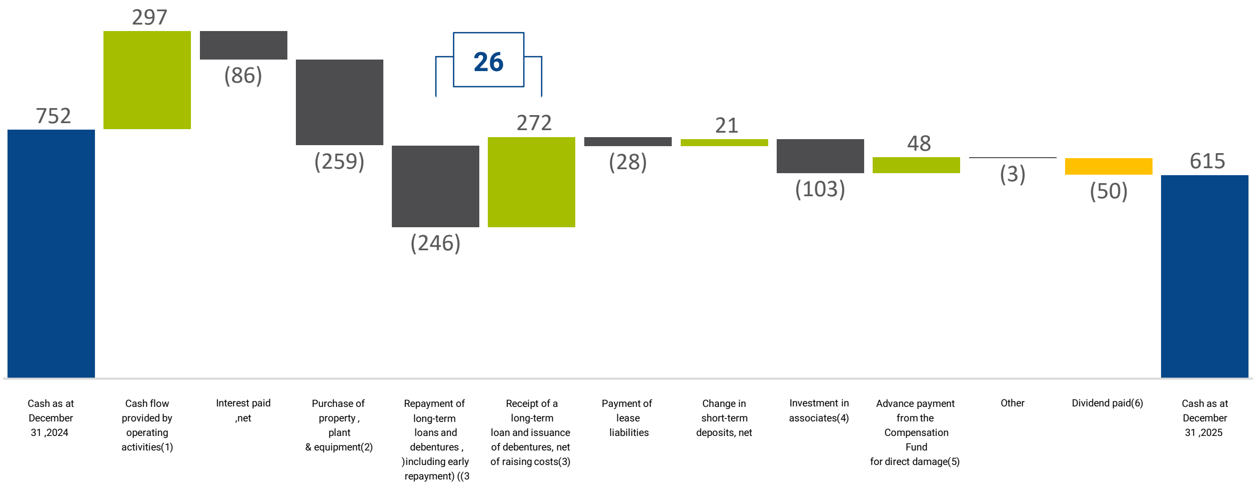
Working capital (current assets less current liabilities)

USD millions

Current ratio

Accounting cash flows* for 2025

USD millions



(*) Based on presentation in the Financial Statements.

(1) Includes insurance proceeds for loss of income totaling approx. USD 123 million. For further details, see Note 1C to the Financial Statements.

(2) Including costs for periodic maintenance work as well as costs with respect to restoring damage incurred during Operation Rising Lion. For further details, see the Statements of Cash Flows in the Financial Statements.

(3) For further details, see Notes 13 and 14 to the Financial Statements.

(4) For details, see Note 20B6 to the Financial Statements.

(5) For details, see Note 1C to the Financial Statements.

(6) For details, see Note 21C to the Financial Statements.

Chapter 5

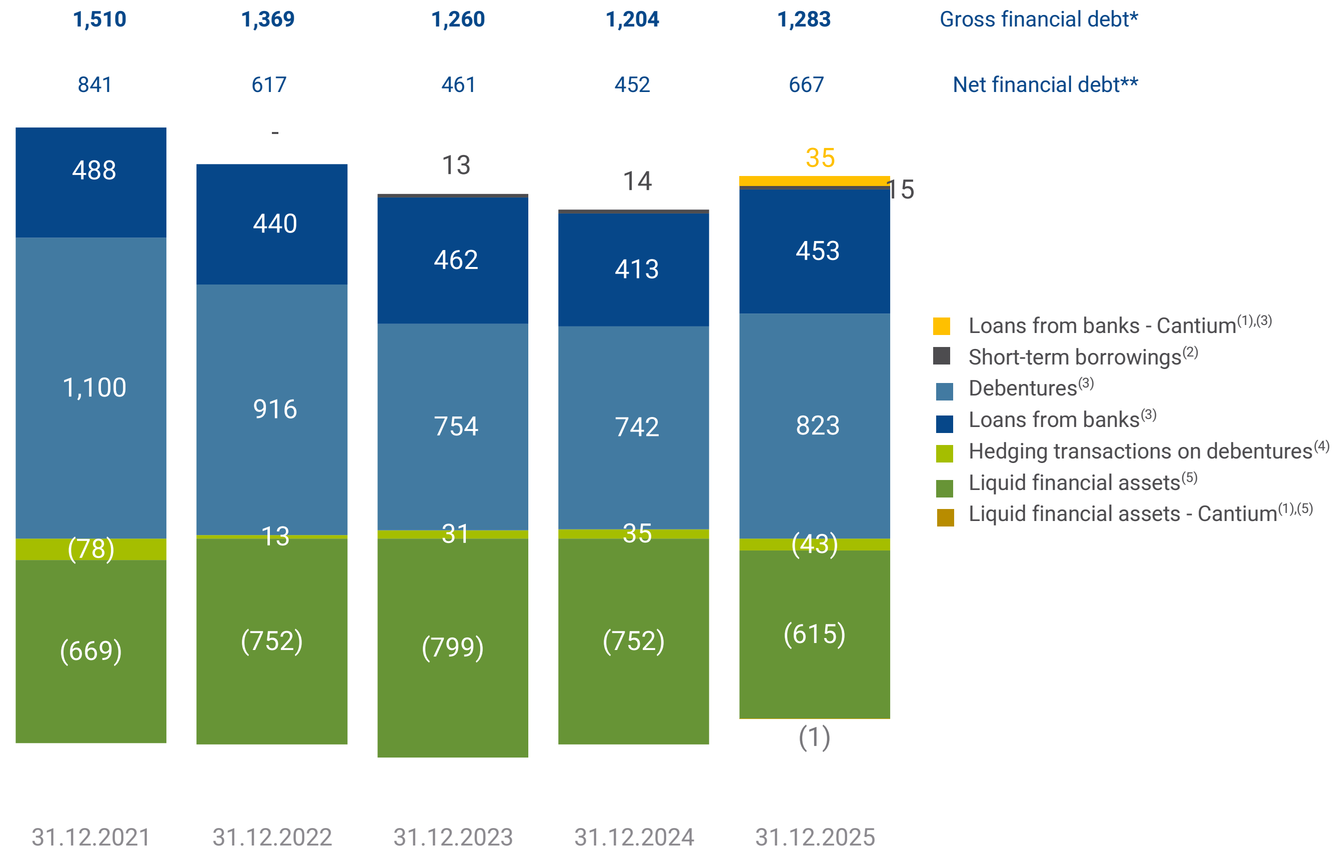
Total Borrowings from Financial Institutions

Total Borrowings from Financial Institutions

Breakdown of Bazan Group's net consolidated debt to financial institutions and Bazan Group debenture holders

Financial debt

USD millions



(1) According to the Company's share of the financial debt, net of Cantium (an associate), according to the Company's effective holding rate (52%).

(2) Mainly for Ducor.

(3) Including current maturities. Stated according to adjusted par value (excluding interest payable).

(4) In accordance with the Group's hedging policy, the Group hedges the NIS debentures. The principal and interest swaps hedging transactions are presented concurrently with the presentation of the debentures, at their adjusted par value (excluding interest receivable/payable), less or plus the deposits provided to secure the transactions.

(5) Including cash and cash equivalents and short-term deposits (excluding the deposits provided to secure the transactions which were carried out against the issuance of NIS debentures).

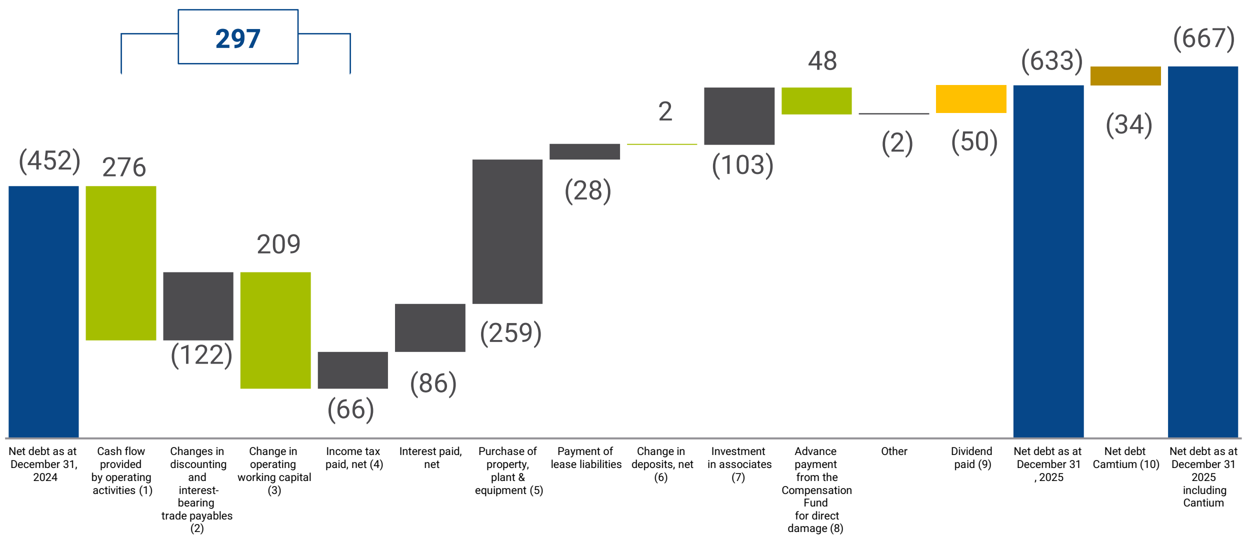
* Gross financial debt includes short-term credit, loans from banks, debentures and hedging transactions in respect of debentures.

** Net financial debt includes gross financial debt net of liquid financial assets.

For details regarding the Group's secured short-term credit facilities, see Note 13A2 to the Financial Statements. As at December 31, 2025, the Group has unutilized secured credit facilities in the amount of approx. USD 514 million (utilization is for letters of credit and guarantees only).

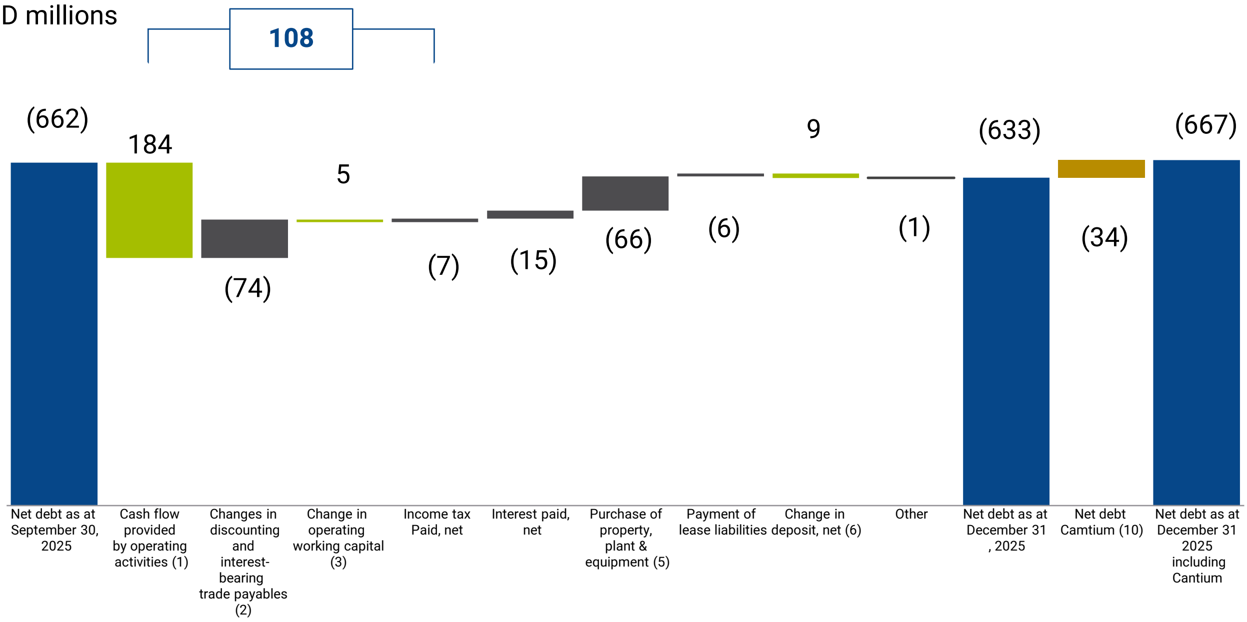
Movement in net financial debt for 2025

USD millions



Movement in net financial debt for October-December 2025

USD millions



(1) Operating cash flows net of change in operating working capital and income tax paid, net. Including insurance proceeds totaling approx. USD 123 million with respect of loss of income in the Reporting Period, of which approx. USD 98 million were received in the fourth quarter of 2025. For further details, see Note 1C to the Financial Statements.

(2) Including repayment of a balance of approx. USD 128 million of interest-bearing trade payables in respect of the purchase of inventory under the Inventory Availability Agreement. For details, see Note 20B4 to the Financial Statements. For details regarding the balances of discounting and interest-bearing trade payables, see Note 6B and 15A to the Financial Statements, respectively.

(3) Change in operating working capital (inventory balance, trade receivables and trade payables) without change in discounting and interest-bearing trade payables.

(4) Includes the payment of taxes for 2023 in the amount of approx. USD 45 million.

(5) During the reporting period, including costs for periodic maintenance work as well as costs with respect to restoring damage incurred during Operation Rising Lion. For details, see the Statements of Cash Flows in the Financial Statements.

In the fourth quarter of 2025 - including costs with respect to repairing damage incurred during Operation Rising Lion.

(6) Excluding the deposits provided to secure the transactions carried out against the issuance of NIS debentures.

(7) For details, see Note 20B6 to the Financial Statements.

(8) For details, see Note 1C to the Financial Statements.

(9) For details, see Note 21C to the Financial Statements.

(10) The Company's share of the financial debt, net of Cantium (an associate), according to the Company's effective holding rate (52%).

Financial leverage*

X1.1	X1.5(1)
December 31, 2024	December 31, 2025

(1) The leverage ratio includes the Company's share in Cantium's (an associate) adjusted EBITDA and net financial debt of for August-December 2025 and December 31, 2025, respectively, according to the Company's effective holding rate (52%).

* Net financial debt as defined above divided by adjusted EBITDA in the last 4 quarters.

Average volume of sources of financing in the Reporting Period

Short-term credit, long-term loans and debentures (including current maturities, based on their nominal value and without the costs of capital raising) of approx. USD 1,236 million. Average trade receivables of approx. USD 515 million and average trade payables of approx. USD 864 million.

Chapter 6 - Exposure to Market Risks and Management Thereof

A. For details regarding the Group's exposure to market, credit and liquidity risks, its market risk management policy, its supervision, and the manner in which it is implemented, including the people responsible for managing market risks, see Notes 29 and 30 to the Financial Statements. As described in Note 29, the relevant Board of Directors' committees (Finance Committee and Trade Committee) receive reports and from time to time discuss issues relating to market risk management, each in its area of business. The Group companies have working instructions, procedures and internal controls designed to ensure market risk management in accordance with the Group's policy.

B. For details regarding the consolidated report linkage bases, see Note 30C to the Financial Statements.

Chapter 7 - Corporate Governance Aspects

The Company's Board of Directors adopted working procedures for the Board of Directors based on the recommendations of the Goshen Committee, and updated from time to time, in accordance with changes in relevant statutes and standards.

A. Company's internal compliance programs

The Company operates a number of internal compliance programs in various fields: Antitrust, safety and environmental protection, prevention of sexual harassment, as well as securities and corporate law, as well as with regard to compliance with international trade restrictions. Furthermore, the Company has a Code of Ethics, which includes anti-corruption and bribery provisions. The Company's Balance Sheet and Audit Committee also serves as the designated compliance and enforcement committee with respect to securities and corporate law.

B. Donations and community outreach

The Company's community investments and outreach are carried out in accordance with the policy formulated by way of a professional process in 2023, discussed and approved by the Board of Directors; according to the policy, donations to the community will amount to a maximum half a percent of the profit before tax in the past year, with a cap of NIS 10 million per year. The Company may reduce and/or revise this budget by decision of the board of directors, in the event of a change in the business environment and/or other circumstances that justify it. Generally speaking, the Group's social investment policy is based on the UN's Sustainable Development Goals and appears on the Group's website. In 2025, the Company's consolidated expenses for these activities amounted to approx. USD 2 million.

As soon as the Iron Swords War began, the Company's Board of Directors decided to increase the Company's donation budget by an additional NIS 20 million, in order to support the community where needed in light of the War and the conditions in the home front, including assisting the security forces and evacuees, providing assistance to mental and post-trauma support associations, and adopting the Kibbutz Nahal Oz community. As part of investments in the community, support was provided to various associations, in addition to the purchase of products serving social causes, as defined by the Group's management and approved by the Board of Directors. The corporation supports a number of flagship educational projects over the next two years, in addition to adopting the community of Kibbutz Nahal Oz. The Company has no material future obligations for financial contributions to the community. Financial investments in the community are made to promote and develop the community, with an emphasis on youth at risk, gender equality, strengthening the periphery and community welfare, especially in northern Israel, where the Company's operations are located. In 2024, in light of the state of emergency and burning needs against the background of ongoing war and active fronts in southern and northern Israel, the Company decided to focus its community support efforts on areas where help was most needed: Support for the Gaza Envelope community, mental resilience and coping with PTSD, support for IDF units as well as rehabilitation of wounded soldiers of the Iron Swords War. This is in addition to continuing to contribute in accordance with the existing social investment policy and the UN's

Sustainable Development Goals. In the reporting year, the Group continued to act in accordance with the said policy while ensuring focused social investments and creating a positive impact.

C. Directors with accounting and financial expertise

In accordance with the decision of the Company's Board of Directors, the minimum number of directors with accounting and financial expertise is 4. As at the date of this report, the Company has 5 directors with accounting and financial expertise. For details concerning their qualifications, education and experience, see Regulation 26 in Chapter D of the Periodic Report.

D. Independent directors

Pursuant to the Company's Articles of Association, the number of independent directors, including external directors, will not fall below the minimum number required under by law. As at the report date, the Company has two external directors and an independent director.

E. Disclosure regarding the internal auditor in a reporting corporation

1. Name of internal auditor: Shlomo Ben-Shimol.
2. Date of commencement of term of office: December 1, 2024
3. Necessary qualifications:

   The Internal Auditor complied with the terms and conditions specified in Sections 3(a) and 8 to the Internal Auditing Law, 1992 (hereinafter - the "**Internal Auditing Law**") and Section 146 to the Companies Law, 1999.

   The Internal Auditor holds a BA in Economics and Accounting from Tel Aviv University and is also a Certified Public Accountant (CPA) and Certified Internal Auditor (CIA), with approx. 28 years of experience in the field of internal auditing and previously served as Chief Internal Auditor in leading Israeli manufacturing companies.
4. The Internal Auditor is not a Company employee and provides it with outsourced internal auditing services.
5. The internal auditor is not an interested party in the corporation or a relative of an interested party in the corporation and is not the independent auditor or a representative thereof.
6. The internal auditor does not fulfill another position in the Company.
7. The Internal Auditor does not hold securities of the Company or of any affiliated entities.
8. The appointment of Mr. Shlomo Ben-Shimol was approved by the Company's Board of Directors following a recommendation by the Audit Committee, after it found him to have the appropriate qualifications to perform his duties, among other things, in light of his expertise and vast experience in internal auditing, and after Mr. Ben Shimol stated that he meets all the qualification requirements required to perform his duties as an internal auditor under law.
9. The Internal Auditor has prepared a proposal for a multi-year audit plan (for the entire group), based, inter alia, on the Group's risk map and on graded deficiencies found in previous audits. The Company's Board of Directors approves the multi-year plan and the annual plan derived therefrom, based on the recommendations of the Audit Committee, after discussing the issue.
10. The internal auditor regularly submits written internal audit reports once each audit report is completed and these are discussed shortly prior completion and filing, by the Audit Committee of the Board of Directors. During the reporting period, three meetings of the Audit Committee were held to discuss the internal auditor's reports.
11. The internal auditor's fee is based on an annual hourly budget and is not conditional on the audit results. The scope of fees paid to the internal auditor for 2025 is approx. USD 0.21 million, for approx. 2,700 hours of internal audit work. The fee is standard and at market conditions, and the Board of

Directors believes that this is not a factor that can affect the internal auditor's judgment when preparing the audit.

12. The Company believes that the nature and continuity of operations and the internal auditor's work plan are reasonable under the circumstances, and will serve to achieve the purposes of the corporation's internal audit. The internal auditor has free access to information, as set out in Section 9 of the Internal Auditing Law, including constant and direct access to the corporation's IT systems, including financial data.
13. The internal auditor conducts the audit in accordance with generally accepted professional standards in Israel and other countries.
14. The internal auditor reports directly to the Chairman of the Board of Directors

F. Breakdown of the total fees that the independent auditors are eligible to receive

		For 2025, NIS thousand	For 2024, NIS thousand
In the Company - EY Ernst & Young	Fee for audit services	2,000	1,200
	Other fees[(1)]	1,035	236
		3,035	**1,436**
Material subsidiaries – EY Ernst & Young	Fee for audit and tax services	955	408
Others - EY Ernst & Young	Fee for audit and tax services	116	70

(1) Other services in the Company include mainly advice on tax issues, special tasks on ongoing matters, including a shelf prospectus.

The independent auditors' fees were fixed by the Board of Directors of the Company, after receiving the recommendation of the Audit Committee, in accordance with the resolutions adopted by the general meeting of shareholders. The fee recommendation is formulated in negotiations between the independent auditors and the highest-ranking finance officer for a fixed amount which takes into account the expected scope of audit work in the reporting year. For additional work other than auditing, fees are determined separately according to the scope of work needed.

On August 27, 2024, the Company's general meeting approved the changing of the Company's independent auditor and appointing Kost Forer Gabbay & Kasierer, CPAs as the Company's independent auditor, as from subsequent to the publication of the Company's financial statements as at the second quarter of 2024.

Chapter 8 - Disclosure of the Corporation's Financial Reporting

A. Additional information contained in the independent auditors' report to the shareholders

Without qualifying their conclusions, the independent auditors of the Company draw attention to:

That which is stated in Note 20C to the Consolidated Financial Statements regarding the Government of Israel's resolution dated March 6, 2022 on the strategy for the development and advancement of the Haifa Bay, which includes forming a government team to negotiate with the Company, with the aim of reaching an arrangement to discontinue the activity of petrochemical manufacturing of the Group's companies, while maintaining the energy security and regular fuel supply to the Israeli economy; in the opinion of the Company's management, as stated in this note, according to which at this stage, it is impossible to evaluate the significance and impact on the Company's activity, business and financial results. We also draw attention to the matters described in Note 20A(4) to the Consolidated Financial Statements regarding proceedings against group companies relating to environmental quality laws and regulations.

With respect to some of these proceedings, the managements of the Company and the Consolidated Companies believe, based on the opinions of their legal advisors, that it is not possible at this stage to assess their effect, if any, on the Consolidated Financial Statements; accordingly, no provisions in respect thereof have been included in the financial statements. Our opinion is not modified in respect of these matters.

B. Definition of negligible transactions in the Company's financial statements

For details, see Note 27I to the Financial Statements.

Chapter 9 - Details of Outstanding Debentures

As at December 31, 2025, 4 series of debentures issued by the Company and offered to the public are outstanding, as set out in Note 14B to the Financial Statements.

A. Debenture trustees

The trustees of the Company's debentures and their particulars are as follows:

1. The trustee for the Company's debentures (Series J, M and O) is Resnick Paz Nevo Trustee Company Ltd.; to the best of the Company's knowledge, the trustee's details are as follows:

Contact person (person in charge): Yossi Resnick; address: 14 Yad Harutzim Street, Tel Aviv;

Tel.: +972-3-6389200; fax: +972-3-6389222; email: yossi@rpn.co.il.

2. The trustee for the Company's debentures (Series L) is Hermetic Trust Services (1975) Ltd.; to the best of the Company's knowledge, the trustee's details are as follows:

Contact person (persons in charge): Dan Avnon, Merav Ofer; Postal address: 30 Derech Sheshet HaYamim, Bnei Brak;

Tel.: +972-3-5544553; fax: +972-3-5271451; email: Bonds@hermetic.co.il.

B. Rating of the debentures

Rating of the Company's outstanding debentures (including expansions):

Series	Original date of issue	Rating immediately prior to original issuance date	Rating as at the Periodic Report date	Rating agency	Date and Ref. No. of immediate report regarding the rating as at the reporting date(1)(2)	
Series J	September 15, 2019	A/Stable	A+/Negative	S&P Maalot	August 11, 2025	2025-15-059431
Series L	September 16, 2020	A-/Negative	A+/Negative	S&P Maalot	August 11, 2025	2025-15-059431
Series M	April 20, 2023	A+/Stable	A+/Negative	S&P Maalot	August 11, 2025	2025-15-059431
Series O	October 1, 2024	A+/Stable	A+/Negative	S&P Maalot	August 11, 2025	2025-15-059431

(1) The immediate report included in this column is included herein by way of reference.

(2) On March 25, 2026, the rating of the Company's debt and its debentures was reiteration by S&P Maalot.

C. Collateral for debentures

For details regarding collateral for the debentures, the options for early redemption, grounds for immediate repayment, conditions for distribution of dividends, other restrictions, financial covenants and the Company's compliance with them, see Note 14 to the Financial Statements.

In the Reporting Period the company complied with its liabilities towards the debenture holders to refrain from creating a charge on the Company's assets, unless in accordance with the provisions of the relevant deeds of trust.

Chapter 10 - Events in and Subsequent to the Reporting Period

A. Effects of the War and the security situation

As a result of missile attacks in June 2025, the Energy Center - which produces a substantial share of the steam and electricity used by the Group's Facilities - was directly hit and damaged alongside other damages; certain pipelines and transmission lines between facilities in the Bazan compound were also damaged. Immediately after the strike, the Company began to implement an orderly work plan with the aim to gradually resume all operations of the Group’s Facilities, which will allow the resumption of full production for the Group's Facilities.

As at the report approval date, except for the power generation turbines, the Company has completed the operation of steam facilities that enable full ongoing activity of the Group's facilities with sufficient redundancy. The Company is working to complete the steam system for full redundancy.

Subsequent to the reporting period, Operation Lion's Roar and the regional developments which arose therefrom led to an increase in geopolitical tensions in the Middle East and adverse effects on energy markets and international trade; crude oil and energy products prices spiked sharply; major shipping routes used to transport oil and oil products - including the Persian Gulf and the Strait of Hormuz - through which a substantial share of the global oil trade passes, have been disrupted, which increased uncertainty with respect to the use of marine transportation routes. Alongside the risks associated with these tensions, as at the report approval date, the business environment in which the Company operates - both in the Refining Segment and in the Investment in Oil Asset Segment - has strengthened substantially.

As a result of the missile strikes on northern Israel on March 19, 2026 under Operation Lion’s Roar, localized damage was caused at the Group’s compound in the Haifa Bay. In addition, external infrastructure owned by a third party, which is essential for the Group’s activity, was damaged. As at the report approval date, the damaged external infrastructure has been reactivated, and most of the Group’s production facilities are active. In the Company's estimate, the damage caused to the Group as a result of the said event is immaterial.

For details, see Note 1C to the Financial Statements.

B. Periodic maintenance work

During the Reporting Period, periodic maintenance work was carried out in the hydrocracker (HCU), hydrogen production unit, CDU 3 and ancillary facilities.
The total direct cost of the periodic maintenance work (before capitalization of salary and other costs) totals approx. USD 85 million. In addition, the effect of periodic maintenance work on EBITDA totaled approx. USD 47 million (USD 56 million estimated loss of income offset by a USD 9 million decrease in operating expenses).

C. Debt raising

For details regarding loans taken and the repayment of existing loans in and subsequent to the Reporting Period, see Note 13A to the Financial Statements.
For details regarding the expansion of Debentures (Series O) in the Reporting Period, see Note 14B to the Financial Statements.

D. Inventory availability agreement

For details regarding the engagement in the inventory availability agreement, see Note 20B4 to the Financial Statements.

E. Measurement of the recoverable amount of non-financial assets

As at December 31, 2025, assessments were prepared of the recoverable amount of the operating assets of Carmel Olefins and operating assets of Ducor, in accordance with the provisions of IAS 36. For details, see Appendix A below and Note 11C to the Financial Statements.

F. **Investment to acquire interests in US energy corporation Cantium**

For details, see Note 20B6 to the Financial Statements.

G. **Significant events subsequent to the reporting period**

For details regarding significant events subsequent to the Reporting Period, see Note 31 to the Financial Statements.

In the missile attack during Operation Rising Lion, three of the Company's employees were killed: Daniel Avraham, Uri Levy and Igor Fradkin. The thoughts and prayers of the Company, its employees, managers and board members are with the bereaved families.

Concurrently with processing the loss of their colleagues, Company's employees continued to work dedicatedly, while demonstrating their and the Company’s outstanding resilience.

The Board of Directors wishes to thank all employees and management for the motivation, commitment and hard work during this challenging period.

Moshe Kaplinsky	Rafael Maman
Chairman of the Board of Directors	CEO

March 25, 2026

Appendix A

Impairment testing

Carmel Olefins' operating assets

Article 8B of the Securities Regulations (Periodic and Immediate Reports), 1970 - Information regarding the Valuation

The reasons for commissioning the valuation:

In view of Carmel Olefins' performance, particularly in the fourth quarter of the reporting year, in addition to a negative update with respect to the expected financial performance for 2026, the recoverable amount of Carmel Olefins' operating assets was assessed in accordance with the provisions of IAS 36 as at December 31, 2025, by an independent appraiser with expertise in the field, KPMG Somekh Chaikin.

Valuation details:

Subject of the valuation	To determine the recoverable amount of the Carmel Olefins' operating assets, pursuant to the provisions of IAS 36
Date of valuation	Effective date of the valuation: December 31, 2025 Date of signing of contract: February 2026 Date of signing the valuation: March 25, 2026
Carrying value attributed to Carmel Olefins' operating assets, pursuant to the provisions of IAS 36	Approx. USD 575 million
The recoverable amount as determined in the Valuation	Approx. USD 652 million
Identification and characterization of the appraiser	• CPA Erez Tal, Director at Somekh Chaikin KPMG. • Education – BA in Economics and Accounting, Tel Aviv University; MBA (with honors) Tel Aviv University; CPA. • Experience - Erez leads the Valuations Department of Somekh Chaikin KPMG. Erez has approx. 20 years of experience in the fields of business consulting, including valuations, commercial due diligence and transaction-support services, which include conducting economic, financial and accounting reviews. Erez carried out various and complex valuations in a wide range of business sectors, including industry, real estate, infrastructure, technology and high-tech, communications and finance. Furthermore, Erez serves as a lecturer in several leading Israeli universities.
Valuation model used by the Appraiser	Recoverable amount as at December 31, 2025, estimated by discounting net future cash flows at a discount rate that reflects the level of risk inherent in the forecasts.
Key assumptions underlying the valuation	Key assumptions underlying the Valuation: • Forecast years - 2026-2030 as well as the representative year; • Polymers margins – the margins forecast is based on forecasts of the consulting firm Chemical Market Analytics (CMA) for the selling prices of polypropylene and polyethylene, net of the naphtha price, with adjustments reflecting the characteristics of Carmel Olefins' activity;

	• Production quantities – the production quantities forecast was based on the Company's forecast, which takes into account the planned utilization rate compared to the maximum production capacity of Carmel Olefins' facilities, and the expected periodic maintenance work cycle. • Discount rate – USD, annual, in real values after tax is approx. 8.5%; calculated after weighting the following parameters: debt ratio, equity ratio, foreign capital price, tax rate, risk-free interest, market risk premium, beta, size premium, specific risk premium and equity price; • Long-term growth rate - the long-term growth rate, i.e. from 2031 onwards will be a real 0%; • Haifa Bay - The government is promoting a strategic plan for the development of the Haifa Bay, which includes, among other things, the termination of Carmel Olefins' activity. As part of the valuation, it was assumed that if this plan will be implemented, the Company would be fully compensated by the government at a total equal to the enterprise value at that date, such that the economic effect on the Company would be balanced. Accordingly, the assumption made in the forecast is that the plan will not be executed, and that this will not affect the Company's value.
Sensitivity analyses	• An increase of 0.5% in the post-tax discount rate would have brought about a recoverable amount of approx. USD 602 million. • A decrease in the weighted polymers margin in the representative year of USD 15 per ton would have resulted in a recoverable amount of approx. USD 601 million.
Details of the organ in the corporation which decided to contract the Appraiser	Guy Liberman, CFO
Existence of dependence between the corporation and the Appraiser	• The firm which conducted the valuation has no vested interest and/or dependence on the Company except for the fact that it received a fee which is not contingent on the results of its work. • As part of the engagement agreement, it was agreed that if the Appraiser will be obliged to pay any amount to a third party in connection with the performance of the services specified in the Appraisal, legal proceeding or other binding procedure, the Company undertakes to indemnify him for any such amount, to be paid to the Appraiser, beyond an amount equal to three times his fee, unless it is determined that he acted maliciously and/or negligently - in which case no indemnification obligation will apply.

For further details, see the valuation attached to the Periodic Report.

Part C

Consolidated Financial Statements

As at December 31, 2025

Consolidated Financial Statements as at December 31, 2025

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Independent Auditor's Report
to the Shareholders of Bazan Ltd.

Opinion

We have audited the Consolidated Financial Statements of Bazan Ltd. (hereinafter - the "Company") as at December 31, 2025, which include the consolidated report of financial position and the consolidated statements of income or loss, other comprehensive income, changes in equity and cash flows for the year ended then ended, and the notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and the consolidated results of operations, consolidated changes in equity and consolidated cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards (IFRSs), and the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Basis of the opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those set forth in the Certified Public Accountants (Modus Operandi of Certified Public Accountant) Regulations, 1973. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated companies in accordance with the legal provisions applicable in Israel regarding independence and the prevention of conflicts of interest of the independent auditor in Israel. Furthermore, we have fulfilled our other ethical obligations in accordance with the Accountants Law, 1955, and the regulations promulgated thereunder. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to what is stated in Note 20C to the Consolidated Financial Statements regarding the Government of Israel's resolution dated March 6, 2022 on the strategy for the development and advancement of the Haifa Bay, which includes forming a government team to negotiate with the Company, with the aim of reaching an arrangement to discontinue the activity of petrochemical manufacturing of the Group's companies, while maintaining the energy security and regular fuel supply to the Israeli economy; in the opinion of the Company's management, as stated in this note, according to which at this stage, it is impossible to evaluate the significance and impact on the Company's activity, business and financial results.

We also draw attention to the matters described in Note 20A(4) to the Consolidated Financial Statements regarding proceedings against group companies relating to environmental quality laws and regulations. With respect to some of these proceedings, the managements of the Company and the Consolidated Companies believe, based on the opinions of their legal advisors, that it is not possible at this stage to assess their effect, if any, on the Consolidated Financial Statements; accordingly, no provisions in respect thereof have been included in the financial statements.

Our opinion is not modified in respect of these matters.

Key audit matters

The key audit matters listed below are those matters that were communicated or should have communicated to the Company's Board of Directors, and which, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the current period. Such matters include, inter alia, any matter: (1) that refers to or might refer to material items or disclosures in the Consolidated Financial Statements, and (2) on which our judgment was particularly challenging, subjective, or complex. These matters were addressed in our audit and the formation of our opinion on the Consolidated Financial Statements as a whole, including communicating these matters below, does not alter our opinion on the Consolidated Financial Statements as a whole, and is not a vehicle for a separate opinion on these matters or on the items or the disclosures to which they refer.

The effect of the government resolution on the assumptions and estimates underlying the Consolidated Financial Statements

In accordance with Notes 2F and 20C to the Consolidated Financial Statements regarding the Government of Israel's resolution dated March 6, 2022 on the strategy for the development and advancement of the Haifa Bay, which includes forming a government team to negotiate with the Company, with the aim of reaching an arrangement to discontinue the petrochemical manufacturing activity of the Group companies, while maintaining the energy security and regular fuel supply to the Israeli economy, the Company assesses and estimates the effect of the resolution on the consolidated financial statements as a whole.

The change in Bazan management's assessment regarding the assumptions and estimates underlying the Consolidated Financial Statements, which are derived from its assessment regarding the effect of the said government resolution, may have a material effect on the Consolidated Financial Statements, including the following estimates: the estimated useful life and the scrap value of property, plant and equipment, and the presence of indications of impairment of cash-generating units and costs for soil reclamation. In determining the estimates, the management exercises its professional discretion, and it relies, among other things, on its professional advisors.

We identified the review of the effect of the government resolution on the assumptions and estimates underlying the Consolidated Financial Statements as a key audit matter, because the examination of the main assumptions and critical estimates the management had used to determine the resolution's effect, which involve substantial uncertainty, required us to exercise substantial discretion in the examination of their reasonability.

<u>The audit procedures we implemented to address the key audit matter</u>

Among other things, the key audit procedures we implemented in our audit regarding this key audit matter are:

- Assessing the process in which the Company's management reached its assumptions - with respect to the ramifications of the government's resolution on the strategy for the development and advancement of the Haifa Bay - which for the basis for the estimates underlying the Financial Statements.
- Reviewing of the implementation and operational efficiency of some internal controls related to the estimates underlying the Financial Statements, and in particular, an internal control that relates to the examination of changes and the available information about the government resolution.
- Questioning the Board of Directors members and members of the senior management (specifically, the CEO and the CFO) on updates and developments in the negotiations with the government.
- Assessing the legal opinions with respect to the Government Resolution, as well as review of the Company's assessments and estimates based on these legal opinions.
- Cross-referencing the Company's representations against publications by relevant government institutions about the government's plans.

- Examining the adequacy of the disclosures in connection with the government resolution in the financial report.

Proceedings pursuant to environmental laws and regulations

In accordance with that described in Note 20A(4) to the Consolidated Financial Statements, for some of the proceedings against Group companies pursuant to environmental laws and regulations (hereinafter – the "Proceedings"), the respective managements of the Company and Group Companies believe, based on the opinion of their legal counsels, that, at this stage, it is impossible to assess the Proceedings' effect, if any, on the Group and its Consolidated Financial Statements as at December 31, 2025.

Any change in such estimates or assessments might have a substantial impact on operating results and on the Group companies' financial position.

We identified the review of the Proceedings pursuant to environmental laws and regulations as a key audit matter, as reviewing the effects of these proceedings involves substantial uncertainty and reaching estimates which involve exercising judgment by the Group's management, and requires us to exercise substantial discretion in the examination of their reasonability.

The audit procedures we implemented to address the key audit matter

Among other things, the key audit procedures we implemented in our audit regarding this key audit matter are:

- Examination of the procedures implemented by the Company to substantiate the assessment of the impact of proceedings regarding environmental laws and regulations.
- Reviewing of the planning, implementation, and operational effectiveness of some internal controls related to the process of estimating the Proceedings' effect on the Group's Financial Statements.
- Reading minutes of internal discussions regarding environmental protection issues.
- Review of letters from the Company's internal and external legal counsels regarding legal and administrative proceedings relating to environmental laws and regulations, including with respect to the examination of developments in the claims.
- Reviewing the letter from the legal counsel of the Company regarding all proceedings in the environmental domain, and in particular examination of the Company's assessment with respect to the likelihood of their materialization.
- Examination of external legal opinions in connection with the estimated probability that the Company would have to bear the land rehabilitation costs.
- Examining the adequacy of the disclosures in connection with the Proceedings in the environmental domain in the financial report.

Other Matter

The Company's Consolidated Financial Statements for the year ended December 31, 2023 was audited by other independent auditors, the reports of which - dated March 13, 2024 - included an opinion without change from the uniform version as well as an emphasis of matter to Note 20C to these Financial Statements regarding the Government of Israel's resolution dated March 6, 2022 on the strategy for the development and advancement of the Haifa Bay, which includes forming a government team to negotiate with the Company, with the aim of reaching an arrangement to discontinue petrochemical manufacturing by the Group's companies, while maintaining energy security and regular fuel supply to the Israeli economy; as well as to Note 20A(4) to the Financial Statements regarding proceedings against Group companies in connection with environmental laws and regulations.

Duties of the Board of Directors and Management with respect to the Consolidated Financial Statements

The Board of Directors and Management are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS Accounting Standards) and the provisions of the Securities Regulations (Annual Financial Statements), 2010; they are also responsible for such internal control as the Board of Directors and Management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Consolidated Financial Statements.
In an audit conducted in accordance with generally accepted auditing standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate 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.
- 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 Board of Directors' and Management's use 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 auditor's 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 auditor's 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 Consolidated Financial Statements, including the disclosures, and whether the Consolidated 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 the auditor identifies during the 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, safeguards applied to eliminate identified threats to our independence.

From the matters communicated, or required to be communicated, with the Board of Directors and Management, we determined 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 auditor's report unless law or regulation precludes public disclosure about the matter.

Linking Paragraph

We have also audited, in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, Audit of Internal Control Over Financial Reporting, internal controls over the Company's financial reporting as at December 31, 2025, and our report of March 25, 2026 includes an unqualified opinion of the effective fulfillment of these components.

The engagement partner on the audit resulting in this independent auditor's report is Guy Zevulun.

Tel Aviv,
March 25, 2026

Kost Forer Gabbay & Kasierer
Certified Public Accountants

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Report of the Independent Auditor of Bazan Ltd.
regarding the Audit of Components of Internal Control over Financial Reporting,
in accordance with Section 9B(c) to the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the internal controls over the financial reporting of Bazan Ltd. and its subsidiaries (hereinafter, jointly - the "Company") as at December 31, 2025. These components of internal control were set as explained in the following paragraph. The Company's Board of Directors and management are responsible for maintaining effective internal control over the financial reporting and for their assessment of the effectiveness of these internal controls over the financial reports attached to the periodic report at this date. Our responsibility is to express an opinion of the internal controls over the Company's financial reporting based on our audit.

The audited components of internal control over financial reporting were defined in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, Audit of Internal Controls Over Financial Reporting (hereinafter - "Audit Standard (Israel) 911"). The components are as follows: 1) Entity-level controls, including close-end period controls of financial reports and information technology general controls (ITGC); (2) Controls over the sales process to customers; (3) Controls over the purchase process of crude oil and distillates; (4) Controls over the raw materials and finished goods inventory process (all these are jointly referred to hereunder as: the "Audited Control Components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. The standard requires us to plan and perform the audit to identify the Audited Controls and obtain reasonable assurance that these controls have been implemented effectively in all material respects. Our audit included obtaining an understanding of the internal control over financial reporting, identifying the Audited Control Components, assessing the risk for material weaknesses in the audited control components, and testing and evaluating the effectiveness of the planning and implementation of these control components based on the assessed risk. Our audit regarding these controls included performing other procedures, as we considered necessary under the circumstances. Our audit referred only to the Audited Control Components, as opposed to internal control over all the significant processes regarding financial reporting, therefore our opinion refers to the Audited Control Components only. Additionally, our audit did not cover the reciprocal effects between the Audited Control Components and those that are unaudited; therefore, our opinion does not take into account such possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Due to inherent limitations, internal control over financial reporting in general, and internal control components in particular, may not prevent or disclose misstatement. Moreover, drawing forward-looking conclusions based on any present assessment of effectiveness involves risks that the controls may become inadequate due to changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company has implemented effectively, in all material respects, the Audited Control Components as at December 31, 2025.

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with confidence

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as at December 31, 2025, and for the year then ended. Our report dated March 25, 2026 included our opinion, which conforms with the uniform version, as well as the emphasis of matter with respect to that which is stated in Note 20C to the Consolidated Financial Statements regarding the Government of Israel's resolution dated March 6, 2022 on the strategy for the development and advancement of the Haifa Bay, which includes forming a government team to negotiate with the Company, with the aim of reaching an arrangement to discontinue the activity of petrochemical manufacturing of the Group's companies, while maintaining the energy security and regular fuel supply to the Israeli economy - which, in the opinion of the Company's management, as stated in this note - at this stage, it is impossible to evaluate the significance and impact on the Company's activity, business and financial results; as well as to that which is stated in Note 20A(4) to the Consolidated Financial Statements) regarding proceedings against Group companies in connection with environmental laws and regulations, which in the opinion of the Company and the consolidated companies' managements, are based, among other things, on the opinion of their legal counsels, the effect of some of those proceedings on the Consolidated Financial Statements, if any, cannot be assessed at this stage; therefore, no provisions were included with regard to this issue in the Financial Statements.

Tel Aviv,
March 25, 2026

Kost Forer Gabbay & Kasierer
Certified Public Accountants

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To
Board of Directors of
Bazan Ltd.
POB 4, Haifa 3100001

Dear Madam/Sir,

Re: Letter of consent in connection with the shelf prospectus of Bazan Ltd. (hereinafter - the "Company") of November 2024

We hereby inform you that we agree to the inclusion (including by way of reference) of our statements set out below in connection with the shelf prospectus dates November 2024:

(1) The independent auditor's report of March 25, 2026 on the Company's consolidated financial statements as at December 31, 2025 and for the one-year period then ended.

(2) The independent auditor's report of March 25, 2026 on the Audit of the Components of the Internal Control over Financial Reporting of the Company as at December 31, 2025.

(3) A special report by the independent auditor dated March 25, 2026 on the separate financial information of the Company in accordance with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970, as at December 31, 2025 and for the one-year period then ended.

Yours sincerely,

Tel Aviv,
March 25, 2026

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Bazan Ltd - Consolidated Statements of Financial Position, in USD millions

	Note	As at December 31, 2025	As at December 31, 2024
Current assets			
Cash and cash equivalents	5	615	752
Deposits		–	1
Trade receivables	6	543	593
Other receivables and debit balances	7	80	22
Financial derivatives	30G	17	5
Inventories	8	619	711
Total current assets		**1,874**	**2,084**
Non-current assets			
Loan to Company for Early Pension Haifa Ltd.	18C	20	19
Investments in associates	9	120	3 (*)
Long-term receivables and debit balances	10	30	37 (*)
Financial derivatives	30G	53	7
Property, plant and equipment, net	11	2,145	2,101
Right-of-use assets, net	12	174	170
Intangible assets and deferred expenses, net	12	34	31
Total non-current assets		**2,576**	**2,368**
Total assets		**4,450**	**4,452**

(*) Reclassified.

Moshe Kaplinsky	Rafael Maman	Guy Liberman
Chairman of the Board	**CEO**	**CFO & EVP Strategy**

Approval date of the financial statements: March 25, 2026

The attached notes are an integral part of the Consolidated Financial Statements

This translation of the financial statement is for convenience purposes only.
The only binding version of this financial statement is the Hebrew version.

Bazan Ltd - Consolidated Statements of Financial Position, in USD millions - cont.

	Note	As at December 31, 2025	December 31, 2024
Current liabilities			
Loans and borrowings (including current maturities)	13A, 14A	191	218
Trade payables	15A	821	866
Other payables and credit balances	15B	165	195
Financial derivatives	30G	6	15
Provisions		7	4
Total current liabilities		**1,190**	**1,298**
Non-current liabilities			
Liabilities to banks, net	13A3	376	333
Debentures, net	14A	694	582
Other long-term liabilities	17	155	119
Financial derivatives	30G	3	36
Employee benefits, net	18C	46	54
Deferred tax liabilities, net	16D	240	266
Total non-current liabilities		**1,514**	**1,390**
Total liabilities		**2,704**	**2,688**
Equity	21		
Share capital		812	811
Share premium		32	31
Capital reserves		(3)	13
Retained earnings		905	909
Total equity		**1,746**	**1,764**
Total liabilities and equity		**4,450**	**4,452**

The attached notes are an integral part of the Consolidated Financial Statements

Bazan Ltd. - Consolidated Statements of Income and Other Comprehensive Income, in USD millions

		For the year ended December 31		
		2025	2024	2023
	Note			
Revenues	22	5,841	7,542	8,324
Cost of sales	23	(5,671)	(7,112)	(7,560)
Gross income		**170**	**430**	**764**
Selling and marketing expenses	24A	(110)	(145)	(123)
General and administrative expenses	24B	(66)	(64)	(61)
Revenues from loss of income insurance	1C	160	-	-
Other revenues (expenses), net	25	(8)	3	(7)
Operating profit		**146**	**224**	**573**
Finance income	26	17	27	33
Finance expenses	26	(119)	(112)	(116)
Finance expenses, net		(102)	(85)	(83)
Company's share in profits of associates	9B	16	-	-
Profit before income tax		**60**	**139**	**490**
Expenses for income tax	16B	(13)	(26)	(82)
Net income for the year		**47**	**113**	**408**
Earnings per share (in USD)				
Basic and diluted earnings per 1 ordinary share		**0.015**	**0.036**	**0.128**
Items of other comprehensive income (loss) transferred to profit and loss:				
Effective share of the change in fair value of cash flow hedges, net of tax		(11)	9	(26)
Other, net		(2)	1	(1)
Other comprehensive income (loss), transferred to profit and loss, net of tax		**(13)**	**10**	**(27)**
Items of other comprehensive income (loss) not transferred to profit and loss:				
Remeasurement of defined benefit plan, net of tax		(1)	-	2
Change in fair value of financial assets at fair value through other comprehensive income, net of tax		(4)	-	1
Other comprehensive income (loss), not carried to profit and loss, net of tax		**(5)**	**-**	**3**
Total other comprehensive income (loss) for the year, net of tax		**(18)**	**10**	**(24)**
Comprehensive income for the year		**29**	**123**	**384**

The attached notes are an integral part of the Consolidated Financial Statements

This translation of the financial statement is for convenience purposes only.
The only binding version of this financial statement is the Hebrew version.

Bazan Ltd. - Consolidated Statements of Changes in Equity, in USD, in USD millions

	Share capital	Share premium	Capital reserves	Capital reserves for items of other comprehensive income (loss) Hedge fund reserve	Other capital reserves	Retained earnings	Total equity
	For the year ended December 31, 2025						
Balance as at January 1, 2025	**811**	**31**	**(1)**	**9**	**5**	**909**	**1,764**
Net income for the year	–	–	–	–	–	47	47
Other comprehensive loss for the year, net of tax	–	–	–	(11)	(6)	(1)	(18)
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**(11)**	**(6)**	**46**	**29**
Share-based payment	–	–	3	–	–	–	3
Exercised share options	1	1	(2)	–	–	–	–
Dividend declared and paid (see Note 21C)	–	–	–	–	–	(50)	(50)
Balance as at December 31, 2025	**812**	**32**	**–**	**(2)**	**(1)**	**905**	**1,746**

	Share capital	Share premium	Capital reserves	Capital reserves for items of other comprehensive income (loss) Hedge fund reserve	Other capital reserves	Retained earnings	Total equity
	For the year ended December 31, 2024						
Balance as at January 1, 2024	**811**	**31**	**8**	**33**	**4**	**970**	**1,857**
Net income for the year	–	–	–	–	–	113	113
Other comprehensive income for the year, net of tax	–	–	–	9	1	–	10
Total comprehensive income for the year	**–**	**–**	**–**	**9**	**1**	**113**	**123**
Share-based payment	–	–	1	–	–	–	1
Transfer from capital reserve in respect of the realization of inventory hedging transactions, net of tax (see Note 29D3B)	–	–	–	(33)	–	–	(33)
Share buyback (see Note 21C)	–	–	(10)	–	–	–	(10)
Dividend declared and paid (see Note 21C)	–	–	–	–	–	(174)	(174)
Balance as at December 31, 2024	**811**	**31**	**(1)**	**9**	**5**	**909**	**1,764**

The attached notes are an integral part of the Consolidated Financial Statements

Bazan Ltd. - Consolidated Statements of Changes in Equity, in USD, in USD millions - cont.

				Capital reserves for items of other comprehensive income (loss)			
	Share capital	Share premium	Capital reserves	Hedge fund reserve	Other capital reserves	Retained earnings	Total equity
			For the year ended December 31, 2023				
Balance as at January 1, 2023	**808**	**33**	**30**	**60**	**3**	**810**	**1,744**
Net income for the year	–	–	–	–	–	408	408
Other comprehensive income (loss) for the year, net of tax	–	–	–	(27)	1	2	(24)
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**(27)**	**1**	**410**	**384**
Share-based payment	–	–	1	–	–	–	1
Exercised share options	3	(2)	(1)	–	–	–	–
Share buyback (see Note 21C)	–	–	(22)	–	–	–	(22)
Dividend declared and paid (see Note 21C)	–	–	–	–	–	(250)	(250)
Balance as at December 31, 2023	**811**	**31**	**8**	**33**	**4**	**970**	**1,857**

Bazan Ltd. - Consolidated Statements of Cash Flows, in USD million

	For the year ended December 31		
	2025	2024	2023
Cash flows from operating activities			
Net income for the year	**47**	**113**	**408**
Adjustments required to present cash flows from operating activities:			
Revenues and expenses not involving cash flows (Appendix A – Section A)	290	242	314
	337	**355**	**722**
Changes in Assets and Liabilities Line Items (Appendix A - Section B)	26	160	(20)
Income tax received (paid), net	(66)	(74)	3
Net cash provided by operating activities	**297**	**441**	**705**
Cash flows used in investing activities			
Interest received	13	23	27
Change in deposits, net	(2)	66	(13)
Repayment of a loan from Early Pension Haifa	–	15	–
Advance payment from the Compensation Fund for direct damage (see Note 1C)	48	–	–
Purchase of property, plant & equipment (including periodic maintenance work) (1)	(259)	(187)	(163)
Investments in investees (see Note 9)	(103)	–	(3) (*)
Other	1	(1)	(1) (*)
Net cash used in investing activities	**(302)**	**(84)**	**(153)**
Cash flows used in financing activities			
Change in deposits and short-term borrowing, net	23	6	(13)
Interest paid	(99)	(100)	(111)
Derivative transactions, net	(1)	(2)	(1)
Receipt of long-term loans from banks (2)	140	152	120
Repayment of long-term bank loans, including early repayment (2)	(100)	(201)	(97)
Repayment of debentures	(146)	(149)	(203)
Issue of debentures, less issuance expenses	132	135	57
Payment of lease liabilities	(28)	(20)	(19)
Share buyback	–	(10)	(23)
Dividend paid	(50)	(174)	(250)
Net cash used in financing activities	**(129)**	**(363)**	**(540)**
Net increase (decrease) in cash and cash equivalents	**(134)**	**(6)**	**12**
Effect of exchange rate fluctuations on balances of cash and cash equivalents	(3)	(5)	–
Cash and cash equivalents at the beginning of the year	752	763	751
Cash and cash equivalents at the end of the year	**615**	**752**	**763**

(1) The reporting period includes a total of approx. USD 50 million (and subsequent to the reporting period, approx. USD 18 million), for renovations due to damage incurred during Operation Rising Lion. See also Note 1C. For details regarding periodic maintenance work in 2024-2025, see Note 11A.

(2) For details regarding securing loans and early repayment of loans during the reporting period, see Note 13A3.
In 2024, the Company secured new loans totaling approx. USD 152 million, some of which was used for full repayment of existing loans totaling approx. USD 101 million. In 2023, the Company took out a new loan totaling approx. USD 80 million, part of which was used for full repayment of an existing loan totaling approx. USD 36 million.

(*) Reclassified.

The attached notes are an integral part of the Consolidated Financial Statements

Bazan Ltd. - Consolidated Statements of Cash Flows, in USD million - cont.

Appendix A - Adjustments Required to Present Cash Flows from Operating Activities

	For the year ended December 31		
	2025	2024	2023
A. Revenue and expense items not involving cash flows			
Depreciation and amortization	206	182	173
Other expenses (revenues), net	8	(3)	7
Finance expenses, net	93	86	84
Change in the balance of inventory and margins derivatives	(15)	(50)	(32)
Company's share in profits of associates	(16)	–	–
Expenses for income tax	13	26	82
Other	1	1	–
	290	**242**	**314**
B. Changes in Assets and Liabilities Line Items			
Change in trade receivables	52	26	(30)
Change in other receivables and debit balances	(50)	69	(35)
Change in inventories	94	57	(19)
Change in trade payables	(59)	19	96
Change in other payables, credit balances and provisions	(7)	(12)	(32)
Change in employee benefits, net	(4)	1	–
	26	**160**	**(20)**

Bazan Ltd. - Consolidated Statements of Cash Flows, in USD million - cont.

Appendix B - Movement Arising from Financing Activities

	Loans from banks [(1)]	Debentures [(1)]	Financial derivatives [(1),(2)]
Liability as at January 1, 2025	**395**	**724**	**43**
Changes arising from cash flows:			
Issue of debentures and receipt of bank loans	140	132	–
Repayment of debentures and bank loans	(100)	(146)	–
Interest paid	–	–	(9)
Proceeds (payments) in respect of derivative transactions, net	–	–	(1)
Total changes arising from cash flows	**40**	**(14)**	**(10)**
Changes arising from non-cash activity:			
Raising costs, premium, discounting, and other, net	5	3	–
Interest expenses	–	–	8
Effect of changes in exchange rates and CPI	–	95	(95)
Changes in fair value, application of hedge accounting and others	–	(1)	(1)
Total changes arising from non-cash activity	**5**	**97**	**(88)**
Liability (asset) as at December 31, 2025	**440**	**807**	**(55)**

	Loans from banks [(1)]	Debentures [(1)]	Financial derivatives [(1),(2)]
Liability as at January 1, 2024	**447**	**740**	**48**
Changes arising from cash flows:			
Issue of debentures and receipt of bank loans	152	135	–
Repayment of debentures and bank loans	(201)	(149)	–
Interest paid	–	–	(11)
Proceeds (payments) in respect of derivative transactions, net	–	–	(2)
Total changes arising from cash flows	**(49)**	**(14)**	**(13)**
Changes arising from non-cash activity:			
Amortization of raising costs, premium, discounting, and other, net	(3)	1	–
Interest expenses	–	–	11
Effect of changes in exchange rates	–	(3)	3
Changes in fair value, application of hedge accounting and others	–	–	(6)
Total changes arising from non-cash activity	**(3)**	**(2)**	**8**
Liability as at December 31, 2024	**395**	**724**	**43**

(1) Including current maturities.
(2) Hedging transactions on debentures and loans from banks include cross-currency interest rate swaps (CCIRS) and interest rate swaps (IRS).

The attached notes are an integral part of the Consolidated Financial Statements

Bazan Ltd. - Consolidated Statements of Cash Flows, in USD million - cont.

Appendix B - Movement Arising from Financing Activities - cont.

	Loans from banks [(1)]	Debentures [(1)]	Financial derivatives [(1),(2)]
Liability as at January 1, 2023	**420**	**904**	**21**
Changes arising from cash flows:			
Issue of debentures and receipt of bank loans	120	57	–
Repayment of debentures and bank loans	(97)	(203)	–
Interest paid	–	–	(11)
Net proceeds for derivative transactions	–	–	(1)
Total changes arising from cash flows	**23**	**(146)**	**(12)**
Changes arising from non-cash activity:			
Amortization of raising costs, premium, discounting, and other, net	5	1	–
Interest expenses	–	–	12
Effect of changes in exchange rates	(1)	(20)	21
Changes in fair value, application of hedge accounting and others	–	1	6
Total changes arising from non-cash activity	**4**	**(18)**	**39**
Liability as at December 31, 2023	**447**	**740**	**48**

(1) Including current maturities.
(2) Hedging transactions on debentures and loans from banks include cross-currency interest rate swaps (CCIRS) and interest rate swaps (IRS).

The attached notes are an integral part of the Consolidated Financial Statements

Note 1 - General

A. Reporting entity

1. Bazan Ltd. (hereinafter – the “Company” or “Bazan”) is a company incorporated in Israel, which is located in Haifa Bay and its official address is POB 4, Haifa Bay 3100001, Israel. The Company’s shares are traded on the Tel Aviv Stock Exchange (hereinafter - the “TASE”). The Company and its subsidiaries are industrial companies operating mainly in Israel and the Netherlands and are engaged primarily in the production of petroleum products, feedstock for the petrochemical industry, raw materials for the plastics industry, and byproducts. The facilities of the principal manufacturing subsidiaries (Carmel Olefins and Gadiv, see Section B3 below) in Israel are integrated with those of the Company. In addition, via its investment in the Cantium Partnership (see section B4 below), the Company is engaged in the production and operation of shallow water oil and gas assets in the Gulf of America, USA. In addition, the Company provides infrastructure services (storage, pumping, and production of petroleum products).

   The Company’s controlling shareholder is Israel Petrochemical Enterprises Ltd. (hereinafter - “IPE”), a publicly-traded company listed on the TASE that holds (directly and via a company wholly-owned and controlled by it) approx. 25% of the issued capital of the Company.

2. The Consolidated Financial Statements as at December 31, 2025 include the statements of the Company and its subsidiaries (hereinafter, jointly - the “Group”) as well as the Company’s rights in associates.

B. Definitions

In these financial statements -

1. The Company - Bazan Ltd.
2. The Group - Bazan Ltd. and its consolidated companies.
3. The subsidiaries or consolidated companies - companies and partnerships wholly owned by the Company, in particular: Gadiv Petrochemical Industries Ltd. (hereinafter - "Gadiv"); Carmel Olefins Ltd. (hereinafter - "Carmel Olefins"), ORL Shipping Ltd. (hereinafter - "Shipping"), ORL Trading Ltd. (hereinafter - “Trading”), and Bnnovation LP (hereinafter - "Bnnovation”) - which are based in Israel, and Energil LLC (hereinafter - “Energil”), which is based in the United States. In addition, the Company (through wholly-owned subsidiaries of Carmel Olefins) wholly owns (100%) Ducor Petrochemicals B.V. (hereinafter - "Ducor"), which operates in the Netherlands, and Carmel Eco Ltd. (hereinafter - "Carmel Eco”), which operates in Israel.
4. Investees - consolidated companies as well as companies and partnerships in which the Company's investment is accounted for, either directly or indirectly, in the Financial Statements on the equity basis, in particular: in the Cantium Energy LP partnership (hereinafter - "Cantium Partnership") (through Energil) operating in the United States and in the ESIL Technologies LP partnership (through Bnnovation).
5. Related party - As defined in IAS 24 (2009), Related Party Disclosures.
6. Interested party - As defined in paragraph (1) of the definition of interested parties in Section 1 of the Securities Law, 1968.

NOTE 1 - GENERAL – cont.

C. Effects of the War and the security situation

The geopolitical situation in the region, and in particular the entry into direct combat fronts between Israel and its enemies, leads to ongoing uncertainty and instability. These conditions impact, from time to time, economic activity in the market, supply chains and infrastructure, transport and insurance costs, and may also affect the volume and mix of demand for the Group's products and the manner in which its facilities are operated.

Shortly after the outbreak of the Iron Swords War, the Company was issued an order under the Control of Commodities and Services Law, 1957, regarding the manner of the refinery's operation, as a result of which periodic maintenance of the main refining unit was postponed and subsequently performed in the second quarter of 2024.

As a result of missile attacks in June 2025, the Energy Center - which produces a substantial share of the steam and electricity used by the Group's Facilities - was directly hit in addition to other damage - certain pipelines and transmission lines between facilities in the Bazan compound in Haifa Bay (hereinafter - the “Bazan Compound”) were also damaged, and all of the refining facilities and the facilities of the subsidiaries in the Bazan Compound (hereinafter - the “Group's Facilities”) were shut down.

Immediately after the strike, the Company began to implement an orderly work plan with the aim to gradually resume all operations of the Group’s Facilities, which will allow the resumption of full production for the Group's Facilities. As of the report approval date, except for the power generation turbines, the Company has completed the operation of steam facilities that enable full ongoing activity of the Group's facilities with sufficient redundancy. The Company is working to complete the steam system for full redundancy.

The Company is working with a compensation fund (by virtue of the Property Tax and Compensation Fund Law, 1961) to exercise its rights and receive advance payments with respect to the direct damage caused to it. On July 16, 2025, an advance totaling NIS 160 million (approx. USD 48 million) was received. The Company is working to receive additional advance payments, concurrently with the progress of the restoration work and incurring additional expenses. As at the report approval date, the Company estimates the direct damage at approx. USD 150-200 million, which is contingent upon the Energy Center’s full restoration costs. As at December 31, 2025, assets which were damaged as a result of the missile attacks were derecognized; the amount of those assets is immaterial compared to the total amount of the Company’s property, plant and equipment, which was offset against proceeds from the Compensation Fund.

During the attack, the Company had in place insurance coverage against consequential damage (loss of income) resulting from terror acts and war of up to USD 250 million (hereinafter - “Total Coverage for Loss of Income”) for an indemnity period of up to 30 months and a 30-day deductible (which ended on July 13, 2025). The Company filed a claim for the period commencing from the end of the deductible period to December 31, 2025 on the basis of its assessment of the extent of indirect damage sustained during this period, totaling approx. USD 218 million. Out of the claimed amount, during the reporting period, revenues from loss of income insurance totaled approx. USD 160 million (before tax) based on the rate of advances determined by the insurers. As at the report approval date, the Company received USD 155 million (USD 123 million of this amount was received during the reporting period). Subsequent to the reporting period, the Company acted to file an additional claim in respect of loss mitigation costs and loss of income, which has not been reflected in the financial statements. As of the report approval date, the Company expects the extent of loss of income (net of the deductible period) will amount to within the limits of the insurance coverage for loss of income.

NOTE 1 - GENERAL – cont.

C. Effects of the War and the security situation - cont.

With respect to the restoration of the damage sustained, on July 13, 2025, the Company received the Minister of the Interior's Order issued under the Construction Law, 1965 (hereinafter - the "Order") (which was issued further to the recommendation of the National Planning and Construction Committee) (hereinafter - the "Committee"), which stipulates that the construction of buildings, facilities and steam boilers whose construction or deployment is required in order to replace buildings and facilities of the Company damaged by missiles in Operation Rising Lion, the works directly required for this purpose and the use thereof are temporarily exempt from a permit under Chapter E to the Planning and Construction Law as detailed in the Order. The Order's implementation is subject to the terms and conditions set out therein and in the Planning and Construction Law, the principal of which is obtaining the government's authorization to execute the works as detailed in the Order received on July 14, 2025. On November 20, 2025, the Prime Minister signed an amendment to said Order (issued following the Committee's recommendation dated September 30, 2025), which supplements the Order by a temporary exemption from a permit under the Planning and Construction Law in connection with the construction of gas turbines it requires to generate electricity, in lieu of the turbines destroyed in the missile strikes (hereinafter - the "Amended Order"). The Amended Order's implementation is subject to the terms and conditions set out therein and in the Planning and Construction Law.

In December 2025, two petitions for an order nisi and a motion for an interim injunction, filed with the High Court of Justice by the Haifa Municipality and by Green Course, Zalul Environmental Association et al., against a series of respondents including the Company, were served upon the Company, and the hearing of which was consolidated (hereinafter - the "Petitions"). The petitions request the court to issue an order nisi to revoke the Amended Order, or, alternatively, suspend it and remand it to the competent government agencies for further discussion thereof; the petition also requests the issuance of an interim injunction to immediately suspend any action, which may advance the implementation of the Amended Order and the work carried out pursuant thereto until their conclusion. The Company filed its response to these petitions with the High Court of Justice, within which it sought to have them dismissed.

Throughout the period of warfare – including after the missile strikes on the Company's facilities – the Company continued its ongoing operations, while prioritizing the needs of the State in coordination with the relevant government authorities, primarily the supply of fuels for power generation and various fuels for the defense establishment, alongside the continued supply of fuels to its customers, which served to emphasize the Company's criticality to the economy and its importance.

Subsequent to the reporting period, Operation Lion's Roar and the regional developments which arose therefrom led to an increase in geopolitical tensions in the Middle East and adverse effects on energy markets and international trade; crude oil and energy products prices spiked sharply; major shipping routes used to transport oil and oil products - including the Persian Gulf and the Strait of Hormuz - through which a substantial share of the global oil trade passes, have been disrupted, which increased uncertainty with respect to the use of marine transportation routes. Alongside the risks associated with these tensions, as at the report approval date, the business environment in which the Company operates - both in the Refining Segment and in the Investment in Oil Asset Segment - has strengthened substantially.

NOTE 1 - GENERAL – cont.

C. Effects of the War and the security situation - cont.

As a result of the missile strikes on northern Israel on March 19, 2026 under Operation Lion’s Roar, localized damage was caused at the Group’s compound in the Haifa Bay. In addition, external infrastructure owned by a third party, which is essential for the Group’s activity, was damaged. Immediately following the strike, dedicated teams were established to plan and implement the actions required to fully restore production, in coordination with Israel Electric Corporation Ltd. and the affected external utility company. As of the report approval date, the damaged external infrastructure has been reactivated, and most of the Group’s production facilities are active. In the Company's estimate, the damage caused to the Group as a result of the said event is immaterial.

There is still significant uncertainty regarding security developments and their implications, including in connection with additional military operations and their scope, and therefore the extent of the future impact on the Group's operations and results cannot be assessed.

D. The War in Ukraine

Towards the end of February 2022, a war broke out between Russia and Ukraine, which continues as at the report approval date. As a result, significant economic sanctions have been imposed on Russia (including on various financial institutions and corporations, some of which are active in the energy sector, as well as on certain politicians and businessmen), including a ban on trade, investment and economic relations, as well as the severing of certain Russian banks from international financial systems (hereinafter - the “Crisis”). As at the report approval date, the sanctions do not include a sweeping ban on trade in energy, particularly crude oil and its products or natural gas, excluding regarding the United States, EU countries, the G7 countries and additional countries which adopted a similar policy.

In view of the crisis, the business environment underwent extreme changes, which include, among other things, a spike in Brent prices, and a sharp increase in distillates margins, specifically the diesel fuel margin. As from 2024, the said effect of the War on Brent prices and distillates margins has subsided substantially.

It should be noted that the Group companies are not materially exposed, in their business activities, to the Russian market. The Company purchases a range of types of crude oil and other feedstock from various sources across the world, and in recent years did not refine crude oil originating in Russia (such as Ural). As from the report date and beginning of the Crisis, the Company does not engage directly with Russian entities but rather purchases feedstock originating in Russia from leading international trading companies. The Company is monitoring the ongoing tightening of sanctions on Russia, including restrictions that came into effect after the reporting period. The Company regularly reviews its activities in conjunction with international legal experts and ensures - at any time - full compliance with the provisions of the law and the sanctions relevant to its operations.

Depending on geopolitical developments, trade on global energy markets or tightening of the sanctions imposed on Russia, there may be logistical difficulties in importing crude oil cargoes from Former CIS countries and/or purchasing of certain feedstock required for some of the Company’s facilities.

NOTE 1 - GENERAL – cont.

D. The War in Ukraine – cont.

As of the report approval date, the Company is operating as usual and in the short term, the Crisis is not expected to have any effects on its business continuity. The Company continuously monitors the potential implications for its business operations and results and makes the necessary adjustments, as needed, in the procurement of crude oil and feedstocks in order to maximize its operating results and, in particular, to maintain the continuity of the feedstocks required for the operation of its facilities.

As of the report approval date, the Company is unable to assess whether and when such difficulties may materialize or their effect on the Company if they do materialize.

NOTE 2 - BASIS OF PREPARATION

A. Statement of compliance with IFRS

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (hereinafter - “IFRS”). The Financial Statements have also been prepared in accordance with the Securities Regulations (Annual Financial Statements), 2010.

The Company’s Board of Directors approved the Consolidated Financial Statements on March 25, 2026.

B. Functional currency and presentation currency

The Consolidated Financial Statements are presented in the US dollar, which is the functional currency of the Company and of most of the subsidiaries. The US dollar is the currency that represents the principal economic environment in which the Company operates.

C. Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except financial assets and liabilities measured at fair value and the following main assets and liabilities measured as described in Note 3 – Significant Accounting Policies: inventory, deferred tax assets and liabilities, provisions, assets and liabilities for employee benefits.

D. Rounding of amounts

In order to improve the process of reading the financial statements, as from December 31, 2024, the financial statements are presented in USD millions rather than in thousands of dollars. Comparison periods’ figures were revised accordingly.

E. Operating cycle

The operating cycle of the Group companies is up to one year. As a result, the current assets and current liabilities of the Group include items the materialization of which is intended and anticipated to take place within one year as from the reporting date.

F. Use of estimates and judgments

The preparation of the Group’s Consolidated Financial Statements in conformity with IFRS requires that management of the Company makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

NOTE 2 - BASIS OF PREPARATION - cont.

F. Use of estimates and judgments - cont.

The preparation of accounting estimates used in the preparation of the Group's Consolidated Financial Statements requires the Company's management to make assumptions regarding circumstances and events that involve considerable uncertainty.

In applying judgment to its estimates, the Company's management relies on past experience, various facts, external factors, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and their underlying assumptions are reviewed by the Company's management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Presented below is information about the assets and liabilities included in the Consolidated Financial Statements for which the Group prepared significant estimates and assumptions regarding the future, for which there is a significant risk of resulting in a material adjustment to carrying amounts in a subsequent reporting period:

Estimate	Principal assumptions	Possible effects	Reference
Net realizable value of inventory	• Exercise price of inventory as a finished product. • Costs required to make the sale based on past experience.	Recognition or reversal of impairment loss	
Assessment of indications of impairment and calculation of the recoverable amount for testing impairment of cash generating units, if needed for impairment testing	• Estimates regarding indications of impairment. • Discount rate after tax. • An estimate of the cash flows in connection with the cash-generating units, based, among other things, on past experience, relevant forecasts and management's best estimates as to the prevailing economic conditions, specifically the prices of products and raw materials during the projected cash flow period.	Recognition of impairment loss or reversal of impairment loss of non-financial assets	
Assessment of the probability of contingent liabilities, including for environmental aspects and uncertain tax positions	• Whether it is more likely than not that an outflow of economic resources will be required for legal claims filed against the Group companies and other contingent liabilities, including environmental issues and uncertain tax positions - based on the assessments of the management of the Group companies, including the opinions of their legal counsel, if relevant, and based on their best professional judgment, the relevant instance that is expected to rule on the matter, and taking into account the stage of the proceedings and the legal and professional experience accumulated on various matters. • The estimate is based, among other things, on the opinion of the legal counsel of the Group companies, that for certain proceedings in particular relating to environmental protection, in view of the complexity of the proceedings and/or the preliminary stage of the proceedings, at this stage, the Group companies' financial exposure cannot be assessed, if at all; therefore, no provisions were made for them in the Financial Statements.	Reversal of, or making, a provision, in general, against profit and loss	For further information about the Company's exposure to contingent liabilities, including in reference to the environment, see Note 20A.

For details regarding the government resolution, see Note 20C.

NOTE 2 - BASIS OF PREPARATION - cont.

G. Capital management – objectives, procedures and processes

Management's policy is to maintain a strong capital base in order to preserve the ability of the Company to continue operating, such that it may provide return on equity to its shareholders, benefits to other stakeholder in the Company, such as receivables and payables, credit providers and employees of the Company, and sustain future development of the business. The Board of Directors monitors dividend distributions to shareholders; for details about the dividend distribution policy which was approved in 2021 and revised during the reporting period, see Note 21C. As at December 31, 2025, the Company is subject to compliance with financial covenants, including compliance with minimum capital requirements; for details about the covenants, see Notes 13 and 14.

NOTE 3 - MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by Group companies for all periods presented in these Consolidated Financial Statements, unless explicitly stated otherwise.

A. Basis of consolidation and investments in associates

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries as well as the Company's rights in associates.

Intra-group balances, any unrealized gains and expenses, and profits arising from intra-group transactions, were eliminated in the preparation of the Consolidated Financial Statements. Unrealized losses were eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Investments in associates are accounted for using the equity method and are initially recognized at cost. The investment cost includes transaction costs. The Consolidated Financial Statements include the Group's share of the revenues and expenses in profit or loss and other comprehensive income of equity-accounted investees, subsequent to the requisite adjustments to align the accounting policies with those of the Group.

B. Financial instruments

1. Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are created. All other financial assets acquired in a regular way purchase are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument, i.e. - the date on which the Group undertook to purchase or sell the asset. Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit and loss, then the initial measurement includes transaction costs that are directly attributable to the asset acquisition or creation. Subsequent to initial recognition, the Group measures financial assets at either fair value or amortized cost, as described below.

A. <u>Financial assets measured at amortized cost</u>

These assets include: Cash and cash equivalents, trade receivables, deposits, certain other receivables and long-term receivables and debit balances of the Group. Cash flows from those financial assets are principal and interest only and are held within a business model with an objective to hold assets in order to collect contractual cash flows. Accordingly, those assets are measured at amortized cost using the effective interest method.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

B. Financial instruments – cont.

1. Non-derivative financial assets – cont.

B. Financial assets at fair value through other comprehensive income

Those assets include the Company's investment in the shares of certain companies, which are not held for trading, and which subsequent to initial recognition are measured fair value through other comprehensive income, due to Group's intention to hold this capital investment long term. For these shares, profits and losses are not reclassified to profit and loss and impairments are not recognized in profit and loss.

C. Derecognition of financial assets

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

In general, the Group companies have agreements for factoring of its trade receivables in an absolute assignment by way of a sale (see Note 6B). When the Group substantially transfers all the risks and rewards of ownership of the trade receivables that were assigned to the factoring entities, the Group derecognizes the transferred trade receivables.

2. Non-derivative financial liabilities

The Group initially recognizes debt instruments as they are incurred. Other financial liabilities are initially recognized at the trade date when the Group becomes party to the contractual provisions of the instrument.

In general, the Group's financial liabilities are initially recognized at fair value net of any attributable transaction costs.

A. Financial liabilities at amortized cost

Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

These liabilities include: loans and borrowings from banks, marketable Debentures (Series J, K, L and O) are subject to fair value or cash flow hedge accounting), lease liabilities, trade and other payables.

Primarily for suppliers of crude oil, usually when the credit period is longer than approx. 30 days, the Company recognizes the liability to suppliers discounted to the interest rate embodied in the transaction. The difference between the discounted amount and the nominal amount of the transaction is recognized as finance expenses over the credit period.

B. Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or canceled.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

B. Financial instruments - cont.

2. Non-derivative financial liabilities - cont.

C. Change in terms and conditions of debt instruments

An exchange of debt instruments having substantially different terms and conditions, between a borrower and lender, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. Furthermore, a substantial modification of the terms and conditions of the existing financial liability or part thereof, is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. In such cases, the entire difference between the carrying amount of the original financial liability and the fair value of the new financial liability is recognized in profit and loss as finance income or expenses.

The terms and conditions are substantially different if the discounted present value of the cash flows according to the new terms and conditions, including any fees and commissions paid, less any fees and commissions received and discounted using the original effective interest rate, is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability.

In addition to the aforesaid quantitative test, the Group examines, among other things, whether there have also been changes in various economic parameters inherent in the exchanged debt instruments.

In this context, the Company reviews any changes in the debt instrument' characteristics, such as a change in the currency in which the debt is denominated, exchange of a variable-interest instrument with a fixed-interest instrument, and changes in the economic risk factors that affect the value of the debt instrument, such as a change in the collateral of the liabilities and changes in the financial covenants of the liabilities, etc.

In a non-substantial modification in terms and conditions (or exchange) of debt instruments, the new cash flows are discounted using the original effective interest rate, and the difference between the present value of the new financial liability and the present value of the original financial liability is recognized in profit and loss.

D. Netting of financial instruments

Financial assets and financial liabilities are netted and the net amount is presented in the statement of financial position when the Group currently has a legally enforceable right to offset the amounts and intends either to settle the asset and liability on a net basis or to dispose of the asset and settle the liability simultaneously.

3. Derivative financial instruments, including hedge accounting

The Group companies hold derivative financial instruments, mainly to hedge its exposure to commodity prices and margins, to foreign currency risks and to interest rate risk.

A. Measurement of derivative financial instruments

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

NOTE 3 – MATERIAL ACCOUNTING POLICIES - cont.

B. Financial instruments - cont.

3. Derivative financial instruments, including hedge accounting - cont.

B. Economic hedges

Changes in the fair value of derivatives designated as economic hedges, are recognized in profit and loss according to the purpose of the economic hedge, meaning the line item in which profits or losses are recognized for the hedged item; changes in the fair value of derivatives designated as economic hedges of commodity prices and their margins are recognized in cost of sales; changes in the fair value of the other derivative instruments are recognized in finance income or finance expenses.

C. Fair value hedges

The Group's cross-currency variable interest rate swaps (CCIRS) to hedge the exposure for fair value changes of the principal and interest payments for Debentures (Series L), attributable to the NIS-USD exchange rate and to changes in the variable interest rate (mainly SOFR), were accounted for the first time by applying fair value hedge accounting as described below.

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit and loss, other than the share attributable to the foreign currency basis spread, which is recognized in capital reserve, as detailed below. Moreover, changes in the fair value for the hedged item, in relation to the hedged risks, are also recognized concurrently in the statement of income with reconciliation to the carrying amount of the hedged item.

D. Cash flow hedges

Marketable Brent crude futures acquired by the Company to hedge future cash flow exposure due to changes in the market price of crude oil, for the projected transaction for acquisition of inventory at the market prices prevalent on termination of the availability transaction (see Note 20B4), were designated as hedging items for the purpose of cash flows hedge accounting.

The Group's futures for the purchase of naphtha are designated as hedging items for the purpose of cash flow hedge accounting for exposure to changes in market prices of projected acquisitions of crude oil, the main raw material in the production of naphtha.

Certain swaps in which the Group engaged to hedge the margin between the prices of polymers it manufactures and sells and the price of naphtha, shall be designated as hedge items for application of cash flow hedge accounting policies in respect of: (a) Changes in market prices of projected polymer sales; and (b) changes in market prices of crude oil (the main raw material used in the production of naphtha).

Certain futures for interest rate swaps (IRS) to hedge exposure for changes in variable interest (mostly SOFR) as well as cross-currency fixed interest rate swap (CCIRS) to hedge currency exposure for Debentures (Series J, L, M and O) due to a change in the NIS-USD exchange rate and setting USD interest in which the Group engaged, will be designated as hedged items for application of cash flow hedge accounting policies.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

B. Financial instruments - cont.

3. Derivative financial instruments, including hedge accounting - cont.

D. Cash flow hedges - cont.

Accordingly, changes in the fair value of these derivatives are recognized from the start of the hedge through other comprehensive income directly in a hedging reserve, to the extent that the hedge is effective. In certain cases, changes in the fair value of the derivatives, attributable to the hedging cost (for the forward component or foreign currency basis spread), are recognized through other comprehensive income, directly in a hedging reserve.

Other fair value changes in these derivatives continue to be recognized in profit and loss under cost of sales or finance expenses, as the case may be. The amount recognized in the hedging reserves is reclassified to profit and loss in the same period that profit and loss is affected by the cash flows and is recognized under the relevant line item together with the hedged item.

When the hedged item is a non-financial asset (such as inventory or property, plant and equipment), the amount accrued in the hedging reserve is reclassified to the carrying amount of the hedged asset on recognition.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued. The cumulative profit or loss previously recognized through other comprehensive income and presented in the hedging reserve remains in equity until the projected transaction occurs or is no longer expected to occur. Replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if it is part of the documented hedging strategy and is consistent with that strategy.

If the forecast transaction is no longer expected to occur, then the cumulative profit or loss previously recognized in the hedging reserve is recognized immediately in profit and loss.

E. Hedge accounting - general

On initial designation of the accounting hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship and in subsequent periods, whether there is an economic relationship between the hedged item and the hedging instrument, whether the effect of the credit risk is not dominant in relation to the fair value changes arising from this economic relationship, and the appropriateness of the hedging ratio between the amount of the hedging instrument and the amount of the hedged item.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

B. Financial instruments - cont.

3. Derivative financial instruments, including hedge accounting - cont.

E. Hedge accounting – general – cont.

For a cash flow hedge and a fair value hedge of debentures as detailed above, the Group elected to deduct the foreign currency basis spread from the designation of a financial instrument as a hedging instrument, and accordingly, it recognizes the fair value changes of the instrument attributable to this component in other comprehensive income that was accumulated as a separate equity component. If the hedged item is time period-related, in any reporting period, the capital reserve will be amortized on a systematic and rational basis with adjustment for reclassification from other comprehensive income to profit and loss. However, if hedge accounting is discontinued, then the net amount that has been accumulated in the separate component of equity is reclassified immediately to profit and loss.

For a cash flow hedge, a forecast transaction constituting a hedged item is a transaction that is highly probable to occur and should present an exposure to changes in cash flows that could ultimately affect profit and loss.

4. CPI-linked assets and liabilities that are not measured at fair value

The value of CPI-linked financial assets and liabilities, which are not measured at fair value, is remeasured every period in accordance with the actual rate of change in the CPI.

C. Inventories

Inventory is recognized when the Group gains control over the goods purchased. To make this determination, the Group considers, among other things, the date on which ownership of the inventory is obtained, its exposure to the risks and rewards arising from ownership of the inventory, the date of receipt of physical possession and the date of the obligation to pay for the purchased inventory.

Inventories are measured at the lower of cost or net realizable value. For crude oil, the cost of inventories is based on the first-in first-out (FIFO) principle and for finished goods, on the FIFO principle based on average monthly cost, and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition. In the case of inventories of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity, taking into account loss of capacity due to planned maintenance activity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion (for inventory that is not finished goods) and the estimated costs required for the sale.

D. Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment items are measured at cost less accumulated depreciation and any accumulated impairment losses, if any. The cost of property, plant and equipment includes expenditure that is directly attributable to the purchase of the asset. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

D. Property, plant and equipment – cont.

1. Recognition and measurement – cont.

Spare parts, auxiliary equipment and stand-by equipment are classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16; otherwise, they are to be classified as inventory. Purchased software that is integral to the functionality of the related equipment is recognized under the cost of that equipment.

When major parts of a property, plant and equipment item (including costs of periodic maintenance and substantial tests) have different useful lives, they are accounted for as separate items of property, plant and equipment.

The balance of the Group's property, plant and equipment includes excess cost attributable to property, plant and equipment, arising upon acquisition of control in subsidiaries.

Costs of constructing facilities used in preventing environmental pollution are recorded as property, plant and equipment and are depreciated in accordance with the shorter of: their useful lives or the useful life of the facility or item to which the costs relate. Current costs of operating and maintaining installations used in preventing environmental pollution are recognized in profit and loss.

A. Subsequent costs

The costs of replacing part of a property, plant and equipment item and other subsequent costs are recognized in the carrying amount of the item if it is probable that the future economic benefit embodied in the cost of replacing the item will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part of a property, plant and equipment item is derecognized. Ongoing maintenance costs are recognized in profit and loss as incurred.

B. Depreciation

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

Depreciation is recognized in profit and loss according to a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land is not depreciated.

The estimated useful life for the current period is as follows:

	Years (*)	
Refining and cracking facilities	15 - 23	(Mostly 21)
Facilities for manufacturing aromatics	16 - 23	(Mostly 21)
Facilities for manufacturing polymers	9 - 27	(Mostly 18)

(*) The number of years reflects the useful life of the main assets.

Estimates regarding depreciation methods, useful lives and residual value are reviewed at the end of each reporting year and adjusted as needed.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

D. Property, plant and equipment – cont.

1. Recognition and measurement – cont.

B. Depreciation – cont.

To ensure the proper and ongoing operations of its facilities, the Group companies perform periodic maintenance at its facilities every approx. 5-6 years. Costs effectively incurred in respect of the periodic maintenance of facilities, including the directly attributable costs, are capitalized and amortized over the period until the next scheduled maintenance.

Spare parts comprising property, plant and equipment are estimated at cost and depreciated over the useful lives of the property, plant and equipment items to which they are attributed (mostly 21 years). Furthermore, additional depreciation is recognized in respect of certain slow-moving spare parts.

C. Advance payments for the purchase of property, plant and equipment are recognized under property, plant and equipment.

E. Leases

1. Determining whether an arrangement contains a lease

At the inception of an arrangement, the Group determines whether the arrangement constitutes or contains a lease and examines whether the arrangement transfers the right to control the use of an identifiable asset for a period of time in return for payment. When assessing whether the arrangement awards control over the use of an identifiable asset, the Group assesses, over the lease term, whether it has both rights set out below:

A. The right to essentially obtain all the economic benefits associated with the use of the identifiable asset; and

B. The right to direct the use of the identifiable asset.

Arrangements awarding the Group the rights of use for certain assets without awarding it control over an identifiable asset for a defined period do not constitute a lease.

For leases of vessels that include non-lease components (as detailed in Note 12C), such as services or maintenance, which are related to a lease component, the Group elected to account for the contract as a single lease component without separating the components.

2. Right-of-use assets and lease liabilities

Contracts that award the Group the right to control the use of an identifiable asset over a period of time for a consideration are accounted for as leases. At initial recognition, the Group recognizes a liability at the present value of the future minimum lease payments (these payments do not include variable lease payments that are not linked to the CPI or to any currency), and concurrently - the Group recognizes a right-of-use asset at the amount of the liability, adjusted for lease payments paid in advance or accrued, plus direct costs incurred in the lease. If the interest rate inherent in the lease cannot be determined, the Group makes use of its incremental interest rate.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

E. Leases – cont.

2. Right-of-use assets and lease liabilities – cont.

The Group has elected to apply the practical expedient for a certain asset classes, which determines that lease payments associated with short-term leases of up to one year, or leases for which the underlying asset is of low-value, are accounted for such that the lease payments are recognized in profit and loss on a straight-line basis over the lease term, without recognizing the asset and/or liability in the statement of financial position.

The balance of the right-of-use assets also includes direct costs attributable to assets, including levies.

With respect to the Group's obligation to dismantle, evacuate and restore the leased land of Ducor at the site of the plant at the end of the lease term, the cost of the right-of-use assets includes the estimated costs for the decommissioning, evacuation and restoration of the site on which they are located. Changes in the provision for dismantling and evacuation, other than changes deriving from the passage of time, are added to or deducted from the cost of the asset in the period in which they occur.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the assets, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

3. Lease term

The lease term is determined as the period in which the lease is non-terminable, together with the periods covered by an option to extend or terminate the lease if it is reasonably certain that the lessee will choose to exercise or not to exercise the option, respectively. When assessing whether it is reasonably certain that the Group will exercise the option for extending the lease term, various parameters are taken into account, including the required volume of investment, the importance of the location of the underlying asset, and the exercise price of the option.

A. Variable lease payments

Variable lease payments that depend on an index or a currency rate are initially measured using the index or currency rate at the lease commencement date and are included in the measurement of the lease liability. When there is a change in the cash flows of the future lease payments arising from the change in the index or the rate, the liability is adjusted against the right-of-use asset. Other variable lease payments that are not included in measurement of the liability are recognized in profit and loss at the date the payment terms are fulfilled.

B. Subleases

In leases in which the Group sublets the underlying asset, the Group assesses the classification of the sublease as a finance or operating lease, for the right-of-use received from the head lease.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

E. Leases – cont.

3. Lease term – cont.

C. Amortization of right-of-use asset

Subsequent to initial recognition, a right-of-use asset is accounted for using the cost model and is amortized over the lease term or the useful life of the asset, whichever is earlier, and is tested for impairment as required in accordance with the provisions of IAS 36. Following is the estimated useful lives of the right-of-use assets for the current period:

	Years
Vessels	1-3 years
Land and buildings in Israel	31-80 years (mostly 80 years)
Land in the Netherlands	18 years

D. Revaluation of lease liabilities

Upon the occurrence of a significant event or a significant change in circumstances that is under the control of the Group and had an effect on the decision whether it is reasonably certain that the Group will exercise an option which was not included before in the lease term, or will not exercise an option, which was previously included in the lease term, the Group remeasures the lease liability according to the revised leased payments using a revised discount rate. The change in the carrying amount of the liability is recognized against the right-of-use asset or recognized in profit and loss if the carrying amount of the right-of-use asset was reduced to zero.

F. Impairment of assets

1. Financial assets

The Group recognizes a provision for current expected credit losses mainly for trade and other receivables and other receivables, in an amount equal to the expected credit losses throughout the useful life of the instrument (mainly for periods not exceeding one year).

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. Expected credit losses are discounted at the effective interest rate of the financial asset.

At each reporting date, to measure the provision for expected credit losses, the Group assesses the credit risk of the financial asset, taking into account reasonable and supportable information that is relevant and available with no undue cost or effort. Such information includes quantitative and qualitative information, and an analysis, based on the Group's past experience and reported credit assessment, and includes forward-looking information.

The provision for expected credit losses for a financial asset measured at amortized cost are presented less the gross carrying amount of the financial assets and are recognized, as a rule, in profit and loss under general and administrative expenses.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

F. Impairment of assets - cont.

2. Non-financial assets

A. Timing of impairment testing

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated.

B. Determining cash-generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest asset class that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or other asset classes (hereinafter - a "cash-generating unit").

C. Measurement of recoverable amount

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less disposal costs. In determining value in use, the projected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit, for which the projected future cash flows from the asset or from the cash-generating unit were not adjusted.

D. Recognition of impairment loss

Impairment losses are recognized if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount and are recognized in profit and loss. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit on a pro rata basis.

E. Reversal of an impairment loss

Regarding assets for which impairment losses was recognized during prior periods, at each reporting period, an assessment is made to determine whether there are signs that these losses decreased or no longer exist. An impairment loss is cancelled if a change occurs to the estimates used to determine the recoverable amount, but only in the event that the book value of the asset, after cancellation of the impairment loss, does not exceed the book value less depreciation or amortization that would have been determined if not for the recognition of impairment.

G. Employee benefits

1. Post-employment benefits

The Group has a number of post-employment benefit plans. The plans are usually financed by contributions with insurance companies or with pension funds and they are classified as defined contribution plans and defined benefit plans.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

G. Employee benefits - cont.

1. Post-employment benefits - cont.

A. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in profit and loss in the periods during which related services are rendered by the employees.

Defined contribution plans include mainly regular compensation, increased severance pay, and compensation for employees employed under collective agreements and for some of the employees, under individual agreements.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Post-employment defined benefit plans include holiday gifts, Company products, and vacation for the Group's pensioners, as well as compensation for some employees.

The Group's net obligation in respect of defined benefit plan for post-employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is presented at its present value and the fair value of any plan assets is deducted. The net interest for the defined benefit liability is calculated by multiplying the net liability by the discount rate used to measure the defined benefit obligation, both of which were set at the beginning of the annual reporting period.

The discount rate is the yield, at the reporting date, on high-quality linked corporate debentures, which are denominated in NIS, with maturity dates approximating the terms of the Group's obligation. When the calculation results in a net asset for the Group, an asset is recognized up to the net present value of economic benefits available in the form of a refund from the plan or a reduction in future contributions to the plan. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements 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). The Group recognizes remeasurements through other comprehensive income directly in retained earnings. Interest costs on a defined benefit obligation, interest income on plan assets and interest from the effect of the asset ceiling that were recognized in profit and loss, if any, are presented under finance income and expenses, respectively. When the benefits of a plan the Group provides to the employees increase or are curtailed, the portion of the increased benefits relating to past service by employees or the profit or loss on curtailment are recognized in profit and loss when the plan amendment or curtailment occurs.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

G. Employee benefits - cont.

1. Post-employment benefits - cont.

B. Defined benefit plans - cont.

The Group recognizes profit or loss from settlement of a defined benefit plan when the settlement occurs. Such profits or losses are the difference between the part settled out of the present value of the defined benefit obligation at the settlement date, and the settlement price, including transferred plan assets. The Group 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 plans, 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.

2. Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary retirement. Termination benefits for voluntary retirement are recognized as an expense if the Group has made an offer encouraging voluntary retirement (which constitutes a termination benefit), and when it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value. The discount rate is the yield, at the reporting date, on high-quality linked corporate debentures, which are denominated in NIS, with maturity dates approximating the terms of the Group’s obligation.

The loan to Early Pension Haifa Ltd. (hereinafter - "Haifa Early Pension") constitutes a right to indemnity that the Company will receive for payment of liabilities for early pension. The right to indemnity does not constitute a plan asset for termination benefits and is presented as a separate asset in the statement of financial position. This right to indemnity is measured at fair value and the changes in each period are recognized directly in the statement of income under finance expenses or income.

3. Short-term benefits

Short-term benefits include mainly salaries payable, provisions for vacation and recreation pay, and provisions for bonuses (where relevant).

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 parental leave).

A provision for short-term employee benefits for a bonus is recognized in the amount expected to be paid, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the amount can be estimated reliably.

The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits determined when the Group expects the benefits to be wholly-settled.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

G. Employee benefits - cont.

4. Share-based payments

The fair value on the award date of share-based payment awards to employees is recognized as a salary expense with a corresponding increase in equity (capital reserve for share-based payments) over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense in respect of share-based payment awards that are conditional upon meeting service conditions and non-market performance conditions is adjusted to reflect the number of awards expected to vest.

H. Provisions

Provisions recognized in the Financial Statements refer mainly to legal claims and contingencies involving environmental issues. 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. In cases in which the outcome of the claim and/or the proceeding, including opposite the Ministry of Environmental Protection, cannot be reliably assessed, due to the complexity of the process and/or the preliminary states of the process, no provision is included in the Financial Statements. In addition, when the Group has a commitment to decommission, evacuate and restore the site on which the property, plant and equipment items are located, a provision is recognized for the dismantling, evacuation and restoration of the site. For further details, see Section E2.

The provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability without adjustment for the Company's credit risk. The carrying amount of the provision is adjusted in each period to reflect the passage of time. The amount of the adjustment is recognized as a finance expense.

The Group recognizes an indemnification asset if, and only if, it is virtually certain that the indemnification will be received if the Company settles the obligation. For an indemnification asset arising from an insurance policy, the Group recognizes the asset when a qualifying event occurs. The asset is recognized in the amount expected to be received and does not exceed the amount of the provision.

I. Revenues

1. Revenue recognition

The Group recognizes revenue when the customer gains control over the promised goods or services. Regarding the sales of the Group's products in Israel, this condition is generally fulfilled on the date the goods are withdrawn from the factory premises. For sales of Group products in other countries, this condition exists, in some cases, when the goods are loaded onto the relevant carrier and in other cases, when the goods arrive at the port of destination, depending on the commercial conditions of each transaction.

Transactions for the sale and repurchase of inventory are tested for fulfillment of the conditions for revenue recognition as described above. If the conditions for recognition of revenue are not met, the inventory in the transaction is not derecognized and a liability is recognized.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

I. Revenues – cont.

2. Variable consideration

The transaction price includes fixed amounts and amounts that may vary as a result of discounts, refunds, credits, price concessions, incentives, performance bonuses, penalties, claims and disputes and contract modifications that the consideration in their respect has not yet been agreed by the parties.

The Group includes variable consideration, or part of it, in the transaction price only when it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty regarding the variable consideration has been subsequently resolved. At the end of each reporting period and if necessary, the Group revises its estimate of the amount of the variable consideration included in the transaction price.

Revenue from services is recognized over time in the reporting period in which the services are provided, since the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group provides such services.

When the Group operates in a transaction as an agent and not as an owner, the revenue is recognized in the amount of the net commission.

Exchange of similar assets without any commercial substance is accounted for as recognition of inventory received at the cost of the derecognized inventory, with no effect on profit and loss.

J. Finance income and expenses

Finance income includes interest income on funds invested, changes in the fair value of financial derivatives, changes in the fair value of the loan to Haifa Early Pension and the effect of hedge accounting on the debentures. Interest revenues is recognized as it accrues using the effective interest method.

Finance expenses include interest expenses on loans received and debentures that were issued, interest expenses working capital, interest expenses for lease liabilities, net interest on net liabilities for a defined benefit, changes in the fair value of financial derivatives and the effect of the application of hedge accounting on debentures.

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

Gains and losses on exchange rate differences for financial assets and liabilities are reported on a net basis as either finance income or finance expenses.

For further information about presentation of changes in the fair value of derivative financial instruments, see Section B3.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

K. Income tax

1. Current taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and includes taxes for previous years.

2. Offsetting tax assets and liabilities

The Group offsets deferred tax assets and liabilities if there is a legally enforceable right to offset current tax liabilities and assets, and they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxable income levied by the same tax authority on the same taxable company, or on different tax entities, but they intend to settle deferred tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3. Uncertain tax positions

A provision for uncertain tax positions is recognized when it is not probable that the tax authority will accept the tax position. When assessing whether it is probable that the Israel Tax Authority will accept the Group’s tax position, the Group considers the relevant instance that is expected to rule on the tax position, in accordance with how the Group expects to conduct the discussions on this position.

4. Deferred taxes

The Group does not recognize deferred taxes for differences arising from investments in subsidiaries and associates, to the extent that the Group is able to control the timing of the reversal of the difference and it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing dividends in respect of the investment.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A net deferred tax asset is recognized for carryforward losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the temporary differences 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.

The Company's taxable temporary differences include temporary differences arising from allocation of excess cost attributable to property, plant, and equipment and intangible assets when acquiring control in subsidiaries.

5. Taxes on intra-group transactions

Deferred tax in respect of intra-group transactions in the Consolidated Financial Statements is recorded according to the tax rate applicable to the acquiring company.

NOTE 3 - MATERIAL ACCOUNTING POLICIES - cont.

L. Amendments to accounting standards not yet adopted

1. IFRS 18, Presentation and Disclosure in Financial Statements

This standard supersedes IAS 1, Presentation of Financial Statements. The purpose of the Standard is to improve the structure and content of the financial statements, especially of the statement of income. The standard includes new disclosure and presentation requirements, in addition to requirements that were brought from IAS 1, Presentation of Financial Statements, with slight wording changes.

As part of the new disclosure requirements, companies will be required to present two interim subtotals in the statement of income: operating profit and profit before financing and income tax. Furthermore, in most cases, the results of the statement of income will be classified into three categories: operating profit, investment income and finance income.

In addition to the changes in the structure of the statements of income, the standard also includes requirement to provide a separate disclosure in the financial statements regarding the use of management-defined performance measures non-GAAP measures.

In addition, under the amendment, specific guidance was added for the aggregation and disaggregation of items in the financial statements and notes. The standard will encourage to avoid classifying items as “other” and such classification will lead to further disclosure requirements.

The Standard will be applied retrospectively to annual periods commencing on January 1, 2027. Early application is permitted, provided a disclosure is made.

The Group is examining the implications of the New Standard, including the implications of amendments to additional accounting standards resulting from the new standard, on the financial statements.

NOTE 4 - DETERMINATION OF FAIR VALUE

When determining the fair value of an asset or liability, the Group uses observable market inputs as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the inputs used in the measurement, as follows:

Level 1: quoted prices (unadjusted) in an active market for identical assets or liabilities.

Level 2: observable market inputs, either directly or indirectly, that are not included within Level 1 above.

Level 3: inputs that are not based on observable market inputs.

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. Further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

NOTE 4 - DETERMINATION OF FAIR VALUE – cont.

A. Trade and other receivables and investments in non-marketable shares measured at fair value through other comprehensive income

The fair value of trade and other receivables is determined, at the date of initial recognition, as the present value of future cash flows, discounted at the market rate of interest at the measurement date. For most of the Group's trade receivables, since the credit period is short and constitutes the standard credit in the industry, the future consideration is not discounted and in periods subsequent to initial recognition, the carrying amount approximates fair value.

The fair value of investments in non-marketable shares measured at fair value through other comprehensive income is estimated based on the prices set in the latest transaction or transactions that involved the securities of the investee, taking into account various parameters, such as the period that elapsed since the investment or transaction date through the end of the reporting period, the amount, number and class of sold shares, and the participation of external and existing investors in the capital raising round.

B. Derivative financial instruments

The fair value of foreign exchange forwards, for the short term (generally up to one year), is determined using quotations from a trading system that quotes the market prices flowing into it by financial entities. The fair value is based on the discounted future value arising from the difference between the opening price and the price at the end of the reporting period.

The fair value of interest rate swaps is based on quotes of market prices provided to trading systems by financial entities and based on the market prices determined by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The fair value calculation includes credit risks of parties to the contract.

The fair value of exchange rate and interest rate swaps is based on market prices for discounting future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The fair value calculation includes credit risks of parties to the contract.

Futures on prices crude oil and crude oil products are presented at fair value which is determined by the use of trading software that quotes the prices of products or similar products on a regular basis. Futures on margins (swaps) are stated at fair value based on quotes of prices of the relevant future products or similar products. At Carmel Olefins, futures on naphtha prices and/or product prices are recognized at fair value, based on quoted naphtha prices and on price forecasts for polymers.

C. Non-derivative financial liabilities

The fair value of trade payables and certain other payables is determined, at the date of initial recognition, as the present value of future cash flows, discounted at the market rate of interest at the reporting date. For the Group's trade payables and other payables, other than for crude oil suppliers as set out in Note 3B2 above, since the credit period is short, the future consideration is not discounted and in periods subsequent to initial recognition, the carrying amount approximates fair value.

The fair value of the other financial liabilities, which is determined subsequent to initial recognition, mainly for disclosure purposes, is calculated as follows: USD loans: based on the present value of future cash flows for principal and interest, discounted at the USD risk-free, USD-linked zero coupon curve that includes a non-marketable premium plus the Company's risk margin; unlinked marketable NIS debentures or USD-linked Debentures - their quoted closing selling price at the end of the reporting period.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 4 - DETERMINATION OF FAIR VALUE – cont.

D. Share-based payments

The fair value of employee options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the option, expected volatility of the share, expected contractual life of the option, expected early exercise, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

NOTE 5 - CASH AND CASH EQUIVALENTS

Composition:

	Nominal interest as at December 31, 2025	As of December 31	
		2025	2024
Cash		16	13
Bank deposits	4.9%	599	739
		615	**752**

For information about the Group's exposure to credit and currency risks and the risk management policy in respect of cash and cash equivalents, see Notes 29, 30A, and 30C.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 6 - TRADE RECEIVABLES

A. Composition:

	As of December 31	
	2025	2024
Open accounts	544	594
Less provision for doubtful debts	(1)	(1)
	543	**593**

For further information regarding transactions and balances with related and interested parties, see Note 27.

For information about the Group's exposure to credit and currency risks and risk management policy in respect of receivables, see Notes 29, 30A and 30C.

B. Sale of trade receivables as part of factoring agreements

1. The Company

The Company signed an agreement with a syndicate of banks (hereinafter in this section - the "Lenders") for the factoring of some of its trade receivables, for a maximum USD 150 million; in addition, the Company and the Lenders agreed on a non-binding credit facility of USD 250 million; the two facilities are valid until September 30, 2026. Under the said agreement, trade receivables which will be acceptable by the Lenders when making the factoring transaction at the Lenders' discretion (whether insured by credit insurance and/or not insured by credit insurance, as the case may be), will be assigned to the Lenders the by way of a sale in an absolute, irrevocable and non-recourse assignment, and the factors will have no right of recourse in respect of default and/or delinquency in payment of the amounts of the liabilities sold as aforesaid. The amount of factoring for all trade receivables is restricted to the limit set in the agreement and the discount rate approved for the customer. The Banks bear the default risk and/or the risk of delinquency of customer payments. Each factor may, at any time and at its own discretion, sell and/or assign its rights and/or liabilities under the agreement, in any way, to the list of potential factors set out in the agreement and/or to any other party approved by the Company. In addition, the agreement includes standard compensation mechanisms in the event of a breach of the agreement by the Company, including for representations that were made by it.

The Company derecognizes the factored trade receivables in accordance with IFRS 9 in the statement of financial position, in accordance with the discount rate agreed on between the Company and the factor for each customer.

2. Subsidiaries

Carmel Olefins and Gadiv have agreements with a financing syndicate for the non-recourse sale of some trade receivables, most of which are insured by them in credit insurance, in a maximum aggregate amount of approx. USD 100 million, valid until September 30, 2026.

As at December 31, 2025 and December 31, 2024, debts of Group companies' customers under the said agreements were not derecognized.

In addition to the above, the maximum potential factoring amount is affected by the scope of product sales and the identity of the relevant customers, customer credit days, product prices based mainly on crude oil prices, and by the diversification of working capital factoring sources and management of the Group's liquidity requirements and therefore may be lower than the total amount of the facilities agreed with the lenders.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 7 - OTHER RECEIVABLES AND DEBIT BALANCES

Composition:

	As of December 31	
	2025	2024
Revenues receivable from loss of income insurance (1)	37	-
Deposits, inventory derivatives, and margins (2)	3	1
Institutions (3)	17	-
Current maturities of loans to Haifa Early Pension (4)	7	3
Prepaid expenses	10	14
Others	6	4
	80	**22**

(1) See Note 1C.
(2) For details in respect of refining margins, see Note 29D3.
(3) As at December 31, 2025 - mainly includes a VAT receivable balance.
(4) See also Note 18B2b.

For information about the Group's exposure to credit and currency risks and the risk management policy in respect of certain receivables and debit balances, see Notes 29, 30A and 30C.

NOTE 8 - INVENTORIES

Composition:

	As of December 31	
	2025	2024
Crude oil and intermediate products in the Fuels Activity	280	293
Petroleum products	192	265
Products - Polymers Carmel Olefins (1)	59	74
Products - Polymers Ducor	15	15
Products - Aromatics (1)	36	35
Inventory of chemicals, petrochemical raw materials and other	37	29
	619	**711**

(1) On December 31, 2025, an impairment loss was recognized totaling approx. USD 9 million in respect of products - Carmel Olefin polymers and totaling approx. USD 5 million in respect of products - aromatics.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 9 - INVESTEES

A. Information about investees

As at the reporting date, the Company holds, directly, 100% of the share capital of the companies: Carmel Olefins, Gadiv, Shipping, Trading, and the Bnnovation partnership (in which the Company is a limited partner) and 50% in the ESIL Technologies LP partnership (through Bnnovation). Most of the activities of all the companies take place in Israel.

In addition, the Company (through wholly-owned subsidiaries of Carmel Olefins) wholly owns (100%) Ducor Petrochemicals B.V. (hereinafter - “Ducor”), which is registered and operates in the Netherlands, and 100% of the share capital of Carmel Eco Ltd., which engages in mechanic recycling of plastic and operates in Israel.

In addition, as at August 1, 2025, the Company (through a wholly-owned subsidiary) holds approx. 52% of the share capital of the Cantium Energy LP Partnership (Cantium Partnership), which is an associate, registered and operating in the United States in the production and operation of shallow-water oil and gas assets in the Gulf of America. For further details, see Note 20B6.

B. Restrictions on the transfer of resources between entities within the Group

1. In accordance with the bank financing arrangements of the Group companies (the Company, Carmel Olefins, and Gadiv), there are no restrictions on guarantees and/or loans between the said companies.
2. As at the report date, Ducor's trade receivables and inventory were pledged in favor of a bank (see Note 13). The balance of the net assets less liabilities of Ducor, included in the consolidated statement as at December 31, 2025 (excluding excess cost attributable to Ducor and excluding eliminating inter-company gains) is approx. USD 29 million (as at December 31, 2024 - approx. USD 33 million).

C. Significant equity-accounted investees

1. Attaching financial statements

The Group attaches to these Consolidated Financial Statements the Financial Statements of the Cantium partnership.

2. Condensed information regarding significant investees

A. <u>Condensed financial information on the financial position</u>

	The Cantium Partnership				
	Ownership stake	Current assets	Non-current assets	Current liabilities	Non-current liabilities
As at December 31, 2025	52%	51	658	90	395

B. <u>Condensed financial information on operating results</u>

	The Cantium Partnership	
	Revenues	Comprehensive income (loss)
For the five-month period ended December 31, 2025.	150	30

The Company's share in the operating results of the Cantium Partnership for the five-month period ended December 31, 2025, amounted to approx. USD 16 million recorded under the Company's share in the profits of associates, net of tax expenses in the amount of approx. USD 3 million recorded under the Expenses for income tax line item.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 10 - LONG-TERM RECEIVABLES AND DEBIT BALANCES

Composition:

	As of December 31	
	2025	2024
Employee benefit assets, net [(1)]	2	2
Deferred tax assets, net [(2)]	10	9
Investments at fair value through other comprehensive income [(3)]	17	21
Deposits for financial derivatives	–	3
Others	1	2
	30	**37**

(1) See Note 18C.

(2) Mostly for Ducor, see also Note 16D.

(3) Includes mainly investment in shares of companies engaged in areas that the Group deems as strategic - green hydrogen and biopolymers, changes in the fair value of which were recognized in capital reserve through other comprehensive income.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT, NET

A. Composition and changes in the line item:

	Machinery and equipment	Spare parts [1]	Land, buildings, and other [2]	Total
Cost				
Balance as at January 1, 2024	4,286	72	132	4,490
Additions during the year [3]	174	7	3	184
Derecognitions during the year	(44)	–	–	(44)
Net exchange rate differences from translation of foreign operations	(6)	–	–	(6)
Balance as at December 31, 2024	**4,410**	**79**	**135**	**4,624**
Additions during the year [3]	208	26	2	236
Derecognitions during the year	(112)	–	–	(112)
Net exchange rate differences from translation of foreign operations	15	–	–	15
Balance as at December 31, 2025	**4,521**	**105**	**137**	**4,763**
Accumulated depreciation and impairment losses				
Balance as at January 1, 2024	2,355	–	64	2,419
Additions during the year	149	–	3	152
Derecognitions during the year	(44)	–	–	(44)
Net exchange rate differences from translation of foreign operations	(4)	–	–	(4)
Balance as at December 31, 2024	**2,456**	**–**	**67**	**2,523**
Additions during the year	163	–	3	166
Impairment loss	8	–	–	8
Derecognitions during the year	(88)	–	–	(88)
Net exchange rate differences from translation of foreign operations	9	–	–	9
Balance as at December 31, 2025	**2,548**	**–**	**70**	**2,618**
Amortized cost, net				
As at December 31, 2025	**1,973**	**105**	**67**	**2,145**
As of December 31, 2024	**1,954**	**79**	**68**	**2,101**

(1) Presented on a net basis, net of other accrued depreciation and amortization as described in Note 3D1b above.

(2) For details, see Section B below.

(3) The reporting period includes a total of approx. USD 68 million, for renovations due to damage incurred during Operation Rising Lion. See also Note 1C. In addition, during the Reporting Period and in 2024 - includes direct costs (before capitalization of salary and other costs) totaling approx. USD 62 million and approx. USD 23 million, respectively, with respect to periodic maintenance work in the hydrocracker, hydrogen production facilities, CDU 3 and ancillary facilities, which took place subsequent to the Reporting Period. In addition, in 2024 - includes direct costs (before capitalization of salary and other costs) totaling approx. USD 55 million with respect to periodic maintenance in the Company's main refining facility and in adjacent facilities (a total of approx. USD 40 million was included in 2023).

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT, NET - cont.

B. Land

1. Facilities of the Company, Ducor, and Gadiv – located on leased land; for details about the companies' rights to the land, see Note 12B.

2. The Carmel Olefins Facilities are on a tract of approx. 390 dunam in Haifa Bay, adjacent to the south-eastern side of the Company's compound. Of this tract, Carmel Olefins has the right to register itself as the owner of approx. 381 dunam, of which the Company sold approx. 86 dunam to Carmel Olefins. The remainder of the tract, which is registered under the Company's ownership, was leased to Carmel Olefins.

C. Measurement of the recoverable amount of non-financial assets

1. Due to the deterioration in the operating results of Ducor and forecast downturn in polymers margins, as at June 30, 2025, an assessment was prepared of the recoverable amount of the operating assets of Ducor in accordance with the provisions of IAS 36, by an independent appraiser with expertise in the field, KPMG Somekh Chaikin.

   The recoverable amount of Ducor's assets was estimated using the discounted cash flow (DCF) method. According to the valuation, the revised recoverable amount of Ducor as at June 30, 2025 is estimated at approx. USD 46 million and it is lower than the carrying amount at that date, which amounted to approx. USD 54 million. Accordingly, an impairment loss of approx. USD 8 million was recognized (before tax), which was included in the Other expenses line item.

   In light of a decision made during the fourth quarter to change the manner in which the asset is used, by reducing the scope of operation of the production lines to a production level that will be adjusted to the Company's liabilities to customers, with the aim of reducing sales at spot prices, as at December 31, 2025, work was performed by the Company independently to examine the recoverable amount of the Ducor operation's assets in accordance with the provisions of IAS 36.In this context, it should be noted that the Company has the flexibility to return the production lines to full operation within a period of one to two weeks, and it will act to do so in response to positive changes in the business environment and/or an increase in the volume of signed contracts.

   The recoverable amount of Ducor's assets was estimated using the discounted cash flow (DCF) method. According to the valuation, the revised recoverable amount of Ducor as at December 31, 2025 is similar to the carrying amount at that date, which amounted to approx. USD 45 million (which includes the balance of the impairment loss recognized on June 30, 2025). Therefore, an additional impairment loss was note recognized.

2. Due to the deterioration in the operating results of Ducor and forecast downturn in polymers margins, as at June 30, 2025, an assessment was prepared of the recoverable amount of the operating assets of Carmel Olefins in accordance with the provisions of IAS 36, by an independent appraiser with expertise in the field, KPMG Somekh Chaikin.

   The recoverable amount of Carmel Olefins' assets was estimated using the discounted cash flow (DCF) method. Based on the Valuation, the recoverable amount of Carmel Olefins' assets as at June 30, 2025 was estimated at approx. USD 724 million, which exceeds the carrying amount as at the same date, of approx. USD 646 million. Therefore, no impairment loss was recognized.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT, NET - cont.

C. Measurement of the recoverable amount of non-financial assets - cont.

2. cont.

The valuation methodology included several key assumptions underlying the cash flow forecasts, including the USD margin per ton based on the non-financial forecasts of the research company CMA, the estimated discount rate after tax of approx. 8.5%, and a long-term growth rate of 0%. It is noted that a decrease of USD 15 in the margin per ton a year would have been reflected in the recoverable amount of approx. USD 675 million, which exceeds the carrying amount. It should also be noted that an increase of 0.5% in the post-tax discount rate would have been reflected in a recoverable amount of approx. USD 675 million, which exceeds the carrying amount.

3. In view of Carmel Olefins' performance, particularly in the fourth quarter of the reporting year, in addition to a negative update with respect to the expected financial performance for 2026, the recoverable amount of Carmel Olefins' operating assets was assessed in accordance with the provisions of IAS 36 as at December 31, 2025, by an independent appraiser with expertise in the field, KPMG Somekh Chaikin.

The recoverable amount of Carmel Olefins' assets was estimated using the discounted cash flow (DCF) method. Based on the Valuation, the recoverable amount of Carmel Olefins' assets as at June 30, 2025 was estimated at approx. USD 652 million, which exceeds the carrying amount as at the same date, of approx. USD 575 million. Therefore, no impairment loss was recognized.

The valuation methodology included several key assumptions underlying the cash flow forecasts, including the USD margin per ton based on the non-financial forecasts of the research company CMA, the estimated discount rate after tax of approx. 8.5%, and a long-term growth rate of 0%. It is noted that a decrease of USD 15 in the margin per ton a year would have been reflected in the recoverable amount of approx. USD 601 million, which exceeds the carrying amount. It should also be noted that an increase of 0.5% in the post-tax discount rate would have been reflected in a recoverable amount of approx. USD 602 million, which exceeds the carrying amount.

4. As of December 31, 2024, due to the decline in refining margins compared to the margins in previous years (which were affected by the war in Ukraine), an assessment was prepared of the recoverable amount of the Refining Segment assets in accordance with the provisions of IAS 36, by an independent appraiser with expertise in the field - BDO Ziv Haft Consulting and Management Ltd.

The recoverable amount of Refining Segment was calculated according to value in use, which was estimated using the discounted cash flow (DCF) method. Based on the Valuation, the recoverable amount of Refining Segment assets as at December 31, 2024 was estimated at approx. USD 2.51 billion, which exceeds the carrying amount as at the same date, of approx. USD 2.21 million. Therefore, no impairment loss was recognized.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT, NET - cont.

C. Measurement of the recoverable amount of non-financial assets - cont.

4. cont.

The valuation methodology included a number of key assumptions which constituted the basis for cash flow forecasts, including, among other things, the refining margin forecasts, which was based on the refining margin forecast of S&P Global Commodity Insights (IHS) with adjustments made with respect to the Refining Segment activity; the forecast regarding production quantities was based on the Company's forecast and takes into account the planned utilization rates of the refining facilities - including, among other things, the expected periodic maintenance work cycle; real post-tax discount rate estimated at approx. 8%; and the long-term growth rate - at 0%. It is noted that a USD 0.5 decrease per barrel in the refining margin in the representative year would have resulted in a recoverable amount of approx. USD 2.26 billion, which, as detailed above, exceeds the carrying amount, and a 10% decline in the refining volume in the representative year would have resulted in a recoverable amount of approx. USD 2.33 billion, which exceeds its carrying value as aforesaid. It should also be noted that an increase of 0.5% in the post-tax discount rate would have brought about a recoverable amount of approx. USD 2.39 billion, which exceeds the carrying amount.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 12 - INTANGIBLE ASSETS, RIGHT-OF-USE ASSETS, AND DEFERRED EXPENSES, NET

A. Composition and changes in the line item:

	Right-of-use assets			Intangible assets and deferred expenses [(2)]
	Land, buildings, and other [(1)]	Tankers	Total	
Cost				
Balance as at January 1, 2024	160	38	198	103
Additions during the year [(4)]	3	28	31	6
Derecognitions during the year [(3)]	–	(16)	(16)	–
Net exchange rate differences from translation of foreign operations	(2)	–	(2)	–
Balance as at December 31, 2024	**161**	**50**	**211**	**109**
Additions during the year [(4)]	2	30	32	7
Derecognitions during the year [(3)]	–	(9)	(9)	–
Net exchange rate differences from translation of foreign operations	3	–	3	1
Balance as at December 31, 2025	**166**	**71**	**237**	**117**
Accumulated depreciation and impairment losses				
Balance as at January 1, 2024	24	12	36	74
Additions during the year	3	19	22	4
Derecognitions during the year [(3)]	–	(16)	(16)	–
Net exchange rate differences from translation of foreign operations	(1)	–	(1)	–
Balance as at December 31, 2024	**26**	**15**	**41**	**78**
Additions during the year	3	27	30	4
Derecognitions during the year [(3)]	–	(9)	(9)	–
Net exchange rate differences from translation of foreign operations	1	–	1	1
Balance as at December 31, 2025	**30**	**33**	**63**	**83**
Amortized cost, net				
As at December 31, 2025	**136**	**38**	**174**	**34**
As of December 31, 2024	**135**	**35**	**170**	**31**

(1) As at December 31, 2025 and December 31, 2024 - mainly includes leased land and buildings, whose amortized cost is approx. USD 131 million. For further details, see Section B below.
(2) The balance includes mainly rights and know-how.
(3) Tankers with a contractual lease term that has expired.
(4) Additions to right-of-use assets were recognized against a liability.

NOTE 12 - INTANGIBLE ASSETS, RIGHT-OF-USE ASSETS, AND DEFERRED EXPENSES, NET - cont.

B. Lease of land and buildings

1. The Company's facilities: In accordance with the new property agreement as set out below, the Company is entitled to register as a lessee of the State of Israel for 2,133 dunam of land in Haifa Bay, most of which is registered in its name. Ownership of the land does not pass to the Company at the end of the lease term (after January 24, 2056, or January 24, 2105, if the extension option is exercised as stated below). Of this land, the Company's facilities are located on an area of approx. 1,600 dunam.

   New asset agreement

   On January 24, 2007, the State of Israel and the Company entered into an asset agreement (hereinafter - the "Asset Agreement"), which resolves the dispute between the parties regarding the rights to the Company's assets (hereinafter - the "Company's Assets") and which replaces the previous agreement of 2002.

   According to the Asset Agreement, the rights of the Company in the Company's real estate are as follows:

   A. Rights of the State of Israel: The State has ownership in respect of each of the Company's parcels of land for which the Company had a right of ownership, including the right to be registered as the owner in the land registry:

      Accordingly, and in exchange for the Company's withdrawing its claims as to right of ownership in the said land - the Company has a long-term lease from the State.

      The period of each Lease Agreement is 49 years, commencing on the date the agreement is signed (January 24, 2007), with the Company having an option to extend the period for an additional 49 years (hereinafter - the "Option Period"), subject to the fulfillment of all of its obligations under the Asset Agreement and the Lease Agreement. At the end of the leasing period, including the Option Period should it be exercised, the Company will transfer possession of each parcel of leased land to the State of Israel, including any construction and permanent appurtenances. Regarding each parcel of land of the Company which is not included in this paragraph - the Company will have the same rights it would have in the parcels of property were it not for the position of the State of Israel in the dispute.

NOTE 12 - INTANGIBLE ASSETS, RIGHT-OF-USE ASSETS, AND DEFERRED EXPENSES, NET - cont.

B. Lease of land and buildings - cont.

1. The Company's facilities - cont.

B. According to the Asset Agreement, the Company will pay the State of Israel, every year, an annual fee comprised of a fixed amount of USD 2.25 million and additional annual amounts, that are contingent on the annual income of the Company, according to the profit increments, as follows: 8% of the annual pre-tax income, in the range of USD 0-30 million; plus 10% of the annual pre-tax income in the range of USD 30-52.5 million; plus 12% of the annual pre-tax income in the range of USD 52.5-67.5 million. In any event, the amounts paid to the State in respect of the annual payment (including the fixed component) will not exceed USD 8.7 million per year before linkage. All amounts are translated into NIS at a rate of NIS 4.80 per USD and are linked to the CPI (base index of May 2002). In 2023, the Company applied to Israel Lands Administration and the Accountant General at the Ministry of Finance for input tax deduction invoices in order to be able to deduct input tax for previous periods as well as the current input tax (the amount of which is immaterial to the Company). Since the Company's application was not allowed, on May 1, 2024 it filed a motion against the Israel Lands Authority and the Government of Israel for the issuance of a mandatory injunction ordering the Israel Lands Authority to issue tax invoices with respect to the abovementioned annual payments made by the Company. On December 30, 2024 the defendants filed a statement of defense on their behalf. The Company believes, based on the opinion of its legal counsels, that it has good claims to counter the State's defense claims in the statement of defense filed on behalf of the State.

For information about the profit-dependent lease payments recognized in profit and loss, see Note 23.

C. The Asset Agreement set out the objectives of the leasing of the property and stipulated provisions regarding the need for the agreement of various parties for the transfer of the rights of the Company in the land (except for a lien and/or pledge of its rights in the leased land in favor of a financial institution only for purposes of obtaining financing for its operations in the ordinary course of business).

The Company is required to notify the State authorities, in advance and in writing, of its intention to rezone or change the use of the leased land, provided no objection is received from any of the authorities.

Should the Company breach any of its commitments in respect of any specific parcel of property, all the rights of the Company in that land will be canceled and all the rights in that land will revert back to the State, in addition to any possible compensation.

NOTE 12 - INTANGIBLE ASSETS, RIGHT-OF-USE ASSETS, AND DEFERRED EXPENSES, NET - cont.

B. Lease of land and buildings - cont.

1. The Company's facilities - cont.

D. Under a note recorded in the Haifa Land Registry in 1958, the Company is registered as the owner of an easement in three strips of land that connect the Haifa oil refinery to three facilities held by an infrastructure company: a crude oil terminal in Kiryat Haim, a fuel port in Haifa Port (distillate pipeline), and a petroleum products terminal in Elroy (Kiryat Tivon). By virtue of the easement, the Company possesses underground pipes under the strips for the purposes of flowing crude oil and various petroleum products. In the same note, an easement was mutually granted to the infrastructure company by virtue of which there are other underground pipes in the strip of land that constitute part of the Company's land included in the assets agreement located along the northern boundary of the oil refineries' compound. It should be noted that during 2026, a section of the pipelines operated by the Company (as well as pipelines operated by Gadiv) are due to be duplicated and operated in an infrastructure tunnel established by Israel Ports Company Ltd. as part of the implementation of the Road Plan - Haifa Bay Port Road and Rail Links. In this regard, agreements were also signed during 2025 between the Company and Gadiv and the Israel Ports Company regarding the manner in which the infrastructure tunnel was constructed and the operation and maintenance of the lines in it.

According to the Asset Agreement, as at the Asset Agreement date, the Company will return all its rights in the distillate pipeline to the State, including any right of the Company in the land on which the distillate pipeline is located. It was also stipulated that in the period until February 28, 2010, the Company will be entitled to operate and use the distillate pipeline, in accordance with and subject to the state provisions pertaining to operation and use of the distillate pipeline, as may be issued from time to time and in effect, this use and operation continue as at the Report Date.

In 2009, the Company applied for an extension of its long-term right to operate and use the distillate pipeline.

In 2011, a letter of warning was received from the Accountant General, according to which the Company's continued holding in the distillate pipeline is contrary to the agreement between the parties. The letter alleges that the government incurs damage in this respect and will insist on the complete fulfillment of the Company's obligations towards it. The Company contends that its application to arrange its continued long-term holding of the distillate pipeline has yet to be finalized.

According to the Asset Agreement, the Company will be liable and will indemnify the State, upon the State's demand, for any damage and/or expense incurred and/or that may be incurred to the State as a result of breach of the Company's undertakings as set out above.

2. Gadiv's facilities are on an area of approx. 86 including approx. 80 dunam, registered in the Company's name, which are leased to Gadiv by the Company under a capitalized lease registered for 999 years in the name of Gadiv. In accordance with the agreement of January 24, 2007 between the Company and the State of Israel, the Company has a 49-year lease on the land, commencing from the date the agreement with the State was signed, with an option for an extension of another 49 years, subject to fulfillment of its obligations under the agreement. The agreement further stipulates that rights conferred on a third party prior to its signing will not be impaired.

NOTE 12 - INTANGIBLE ASSETS, RIGHT-OF-USE ASSETS, AND DEFERRED EXPENSES, NET - cont.

B. Lease of land and buildings - cont.

2. Gadiv facilities - cont.

Another approx. 6 dunam were leased to Gadiv by the Company for storage until August 30, 2006. As at the report date, the parties continue to act in accordance with the provisions of the lease agreement and Gadiv continues pay the lease payments in accordance with this agreement.

3. Ducor's facilities are located on leased land in the area of Rotterdam port in the Netherlands. The lease term started in 1994 for 25 years, and Ducor was granted the option to extend the lease term for three periods of 25 years each, under terms to be established between the parties in negotiations at the extension dates. In 2019, Ducor exercised the option for an additional 25-year lease term.

Ducor has an obligation to dismantle and evacuate the land at the end of the lease term. Ducor recognized the long-term provision for the said obligation. For details, see Note 17.

4. The remaining land, which constitutes part of the new assets agreement, serves for various uses required for the Company’s activity.

Referring to a land plot of approx. 215 dunam previously leased Haifa Group Ltd. (formerly Haifa Chemicals Ltd.) (hereinafter - the “Lessee”), in 2020, a mediation agreement was signed with the Lessee; the agreement was approved by the court and the general meeting of the Company (after approval by the audit committee and the Company's board of directors); under the mediation agreement, the lessee, among other things, will vacate the land underlying the dispute between the parties on December 31, 2020 and will return it to the Company, vacant and clean and in compliance with any environmental law applicable to it, after the lessee clears it of any pollution it caused. The interest in the land was returned to the Company; however, in 2023, a dispute arose between the Company and the Lessee in connection with the Lessee's obligation to comply with the requirements of the law and the Ministry of Environmental Protection, and the Company intends to stand up for its legal rights. The aforesaid dispute is not expected to have a material impact on the Company’s operating results.

C. Leasing of vessels

1. Leases in which the Group is the lessee: Trading leases a number of tankers for transporting crude oil and/or petroleum products, and for shipping materials, including materials that the Company buys or sells. The lease agreements are for short periods, mostly one to three years.

   In 2023-2025, the Group recognized in profit and loss an immaterial amount in respect of profit-based lease payments.

2. Leases in which the Group is the lessor - Trading leases out ships to the Company and third parties. In 2025, the Group recognized revenue in profit and loss for the sublease of tankers in the amount of approx. USD 15 million (in 2024 - approx. USD 6 million and in 2023 - approx. USD 24 million). In this context, it is noted that due to the state of war in Israel (see Note 1C), as at the beginning of 2024, increased use was made of the vessels, which Trading leases for the Company's activity.

D. The Group is party to various lease agreements that are immaterial, including of vehicles.

NOTE 13 - LOANS AND BORROWINGS FROM BANKS AND OTHERS

This Note includes information about the contractual terms and conditions of the Group's interest-bearing loans and borrowings. Additional information about the Group's exposure to interest, foreign currency, CPI and liquidity risks appears in Note 30 – Financial Instruments.

A. Composition and interest

1. Loans and borrowings (presented under current liabilities)

	As of December 31	
	2025	2024
Credit from banks		
Overdraft and short-term loans (1)	14	14
Total credit from banks	**14**	**14**
Current maturities of long-term liabilities		
Current maturities of bank loans	64	62
Current maturities of debentures	113	142
Total current maturities of long-term liabilities	**177**	**204**
	191	**218**

(1) Attributed in full to Ducor.

2. Short-term credit facilities

A. Below is information about the short-term credit facilities from banks of the Group companies (in USD millions):

	Immediately prior to the report approval date (*)	As of December 31	
		2025	2024
Consolidated secured credit facilities			
Scope of credit facility (1)	530	530	500
Actual utilization (2)	**13**	**16**	**175**
Consolidated unsecured credit facilities (3)			
Actual utilization (2)	**-**	**-**	**1**

(*) As at March 17, 2026

(1) As at December 31, 2025, the Company has short-term secured credit facilities of USD 530 million, in effect until September 30, 2026.

(2) The facilities were utilized for letters of credit and bank guarantees only.

(3) Utilization of the unsecured credit facilities is subject to the exclusive discretion of each bank individually at the date of each utilization request, therefore there is no certainty as to the ability to utilize them.

B. Ducor entered into an agreement with a bank for a credit facility of up to EUR 20 million for 3 years (as from 2020). In 2023, Ducor entered into an extension agreement with the bank for the credit facility for another 3 years (until 2026), which will be automatically renewed unless otherwise notified. Some of Ducor's trade receivables and inventory were pledged in favor of the bank and the Company provided it a guarantee in an amount that does not exceed EUR 20 million (approx. USD 23 million). For further details, see also Note 13B.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 13 - LOANS AND BORROWINGS FROM BANKS AND OTHERS - cont.

A. Composition and interest - cont.

3. Liabilities to banks (presented under non-current liabilities)

	Weighted interest as at December 31, 2025	As of December 31 2025	2024
Long-term bank loans			
At variable interest [(1)(2)]	6.8%	453	381
At fixed interest		–	32
Net of adjustment for amendments to the terms of the loans [(3)]		(11)	(14)
Less raising costs, net		(2)	(4)
Total long-term bank loans		**440**	**395**
Less current maturities		(64)	(62)
		376	**333**

(1) Weighted interest as at December 31, 2024 is 7.5%.

(2) During the reporting period:

- The Company took loans from banking corporations (hereinafter - the "Loans") in an aggregate amount of USD 140 million at a variable interest rate (SOFR plus a margin) with final repayment dates in 2033-2034. The loans are subject to the same financial covenants as those prescribed under the syndication agreement, as detailed in Section B below.
- A letter of amendment was signed with a banking corporation with respect to an existing loan taken in 2023; its balance as at the amendment's effective date was approx. USD 74 million. The amendment's significance is a significantly longer duration (extending the final repayment date to 2034 rather than 2028) in addition to a reduction of the interest spread over the SOFR base.
- The Company made an early repayment of a loan from a banking corporation whose balance was approx. USD 26 million with fixed interest and a final repayment date in 2027.

Subsequent to the reporting period, the Company took a long-term bank loan of USD 40 million, at a variable interest rate (SOFR plus a margin), with a final repayment date in 2032. The loan is subject to the same financial covenants as those prescribed under the syndication agreement, as detailed in Section B below.

(3) For details regarding changes in the syndicated loan, see Section B below.

B. Agreements with banks

1. Syndication agreement

On November 15, 2016, a new syndication agreement was signed (replacing the former syndication agreement) between the Company and financing entities (hereinafter - the "Banks"), led by Bank Hapoalim as the main organizer and Discount Bank as co-organizer (hereinafter - the "Syndication Agreement"), under which the Company was provided with a loan (hereinafter - the "Loan") of USD 355 million. The Loan bore variable interest (LIBOR) plus a margin of 5%. It was further determined that the Company may repay the Loan prematurely, in whole or in part, in consideration for payment of discounting differences and an early repayment fee, at a decreasing rate as detailed in the Syndication Agreement.

Amendments to the Syndication Agreement were signed in 2018-2019; most of the amendments focused on reductions in the loan's interest rate and updating the amortization schedule.

In 2021, the Company took an additional loan (hereinafter - the "Additional Loan") under the Syndication Agreement, at the total amount of USD 80 million.

In March 2024, the Company informed Bank Hapoalim (as the main organizer of the syndication agreement) of its wish to make an early repayment of the outstanding balance of the Additional Loan on the next interest payment date as defined in the syndication agreement (March 2024). The outstanding loan balance, which was repaid by way of early repayment, amounted to approx. USD 68 million.

NOTE 13 - LOANS AND BORROWINGS FROM BANKS AND OTHERS - cont.

B. Agreements with banks - cont.

1. Syndication agreement - cont.

In December 2024, an amendment was signed to the syndication agreement according to which the amortization schedule of the outstanding loan balance was spread, such that the final repayment date was scheduled for the end of 2032, instead of the end of 2028. In addition, the interest spread was revised to reflect the economic conditions in the current market environment. In respect of the said amendment, the Company has borne immaterial amounts in one-off transaction costs and various fees as is generally accepted in such agreements. In addition, in respect of the amendment, the Company recognized an immaterial amount in one-off finance income (in accordance with the provisions of IFRS 9).

As at the report date, the loan's outstanding balance is approx. USD 143 million, and the interest is SOFR + a spread of approx. 3.3%.

The amortization schedule is as follows: in 2026, approx. USD 5 million per quarter; in 2027, approx. USD 7 million per quarter; in 2028, approx. USD 1.6 million per quarter; in 2029, approx. USD 5.3 million per quarter; in 2030, approx. USD 6.1 million per quarter and in 2031-2032, approx. USD 5.3 million per quarter.

2. Principal agreements with banks, including by virtue of the Syndication Agreement

A. Financial covenants

1. Following are the financial covenants applicable to the Company by virtue of the Syndication Agreement, and referring to most of its financing agreements with the banks (including long-term loans and secured short-term credit facilities, if they include financial covenants), and agreements and/or actual ratios as at December 31, 2025:

	Required	Required ratio/ amount	Actual ratio/ amount
Consolidated adjusted equity (1) (in USD millions)	≥	750	1,781.8
Consolidated adjusted equity(1) to net total consolidated balance sheet (2)	≥	20.0%	45.1%
Consolidated ratio net financial debt (3) to consolidated adjusted EBITDA (4), (5), (6)	≤	5.0	1.7
Consolidated principal and interest coverage ratio(7)	≥	1.1	3.2
Cash flows (8) plus the unused balance of binding credit facilities (9) - separate statement (in USD millions)	≥	75	1,000.6

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

In calculating adjusted EBITDA for the financial covenants of the consolidated net financial debt to consolidated adjusted EBITDA ratio, and the consolidated principal and interest coverage ratio - payments totaling USD 123 million received in the reporting period were included, out of totaling approx. USD 160 million in total revenues from loss of income insurance, recorded in the reporting period. For details, see Note 1C above.

NOTE 13 - LOANS AND BORROWINGS FROM BANKS AND OTHERS - cont.

B. Agreements with banks - cont.

2. Principal agreements with banks, including by virtue of the Syndication Agreement - cont.

A. Financial covenants - cont.

(1) Adjusted equity means the equity at the measurement date less A, B, and if the Company so elects, C, as follows:
A - basic adjustment calculated for the first time when signing the Syndication Agreement, in accordance with the financial statements as at June 30, 2016, and updated subsequently every 18 months, in accordance with the formula A=Qx(P1-P2)
Q - 730 thousand tons, less the amount of the inventory availability transaction at the date of the update (approx. 205 thousand tons).
P1 - accounting average of the price of a Brent barrel in the last 24 months preceding the date of the update.
P2 - the price of crude oil inventory in the Financial Statements as at the date of the update (the value of the inventory divided by the number of barrels in the inventory).
B - current adjustment calculated from the signing date onwards, by the adjustment row attributable to the non-hedged inventory in the Company's Report of the Board of Directors.
C - The Company may elect not to include a provision for impairment of assets in the equity calculation in accordance with IAS 36, which was recognized up to an amount of USD 100 million for 2 consecutive quarters from the quarter of initial recognition.
At each update, adjustment B will be reset and adjustment A will be recalculated in accordance with the formula set out above.

(2) Net total assets means the total assets plus/less the full difference between the adjusted equity as defined in Subsection (1) above and the accounting equity in the Financial Statements, net of cash as defined in Subsection (8) below, in an amount exceeding the cash balance that the Company is required to hold under the financial covenants.

(3) Net financial debt means the debt to financial institutions, less cash as defined in Subsection (8) below and net of cash and cash equivalents, securities, short-term and long-term deposits that are pledged/restricted in use or that secure in any other manner the liabilities included in the debt to financial institutions. Financial debt will not include discounting of receivables that meet the criteria of a true sale (sale in an absolute, irrevocable and non-recourse assignment) at the aggregate amount of up to USD 200 million. A discounting that does not meet the True Sale criteria, and any discounting amount exceeding the said aggregate amount will be included in net financial debt.
The amount of the debt relating to the Company's debentures for the purpose of calculating the net debt will be based on the fair value of the debentures, or, as the case may be, on the carrying amount after hedge accounting, and calculation of the debt will take into account the value of the Company's hedging transactions together with the issue of the Company's debentures and with regard to their issue, provided that in any case, the amount of the debt for the debentures does not fall below the liability value of the Company's debentures, and revaluation of the hedge transactions will not fall below their liability value. The amount of net debt does not include interest payable.

(4) Adjusted EBITDA means gross income less marketing and selling expenses and general and administrative expenses, net of finance expenses for supplier credit and factoring expenses that do not form part of the net financial debt in Subsection (3) above, and are not included in gross profit, plus depreciation and amortization included in gross profit, or sales and marketing expenses or general and administrative expenses, and net of following effects:
A. Presentation method for derivatives according to IFRS
B. Buying and selling timing differences of the value of unhedged inventory
C. Reconciliation of the hedged inventory value with the market value
All as described in the Company's reports of the board of directors.
Calculation of adjusted EBITDA will also include payments for one-time indemnity received by the Company from third parties.

(5) Adjusted EBITDA will be calculated according to the higher of: (a) adjusted EBITDA in the four quarters prior to the measurement date; or (b) adjusted EBITDA in the two quarters prior to the measurement date, multiplied by two. It is clarified that if EBITDA includes payments for one-time indemnification, as described in Subsection (4) above, these payments will not by multiplied by two, but will be included once only in the adjusted EBITDA calculation.

(6) The Company may elect not to include maintenance quarters, as defined below, in the adjusted EBITDA. If the adjusted EBITDA does not include a maintenance quarter, then instead of that quarter, the EBITDA will include the prior quarter that is closest to the maintenance quarter, so that in any event, four quarters will always be taken into account. If the Company elects not to include maintenance quarters in the adjusted EBITDA, the contents of Section 5(b) above will not apply regarding multiplication of years.

NOTE 13 - LOANS AND BORROWINGS FROM BANKS AND OTHERS - cont.

B. Agreements with banks - cont.

2. Principal agreements with banks, including by virtue of the Syndication Agreement - cont.

A. Financial covenants - cont.

(6) cont.
In a period of five consecutive years, no more than four quarters of maintenance will be adjusted, no more than two maintenance quarters will be adjusted consecutively, and no more than two maintenance quarters in the same calendar year will be adjusted.
Maintenance quarters means the quarters in which the Group companies perform periodic maintenance at their plants, which continues for at least 30 days, and its effect on adjusted EBITDA exceeds USD 20 million per quarter.

(7) The principal and interest coverage ratio means (a) the total amount of: (i) cash as defined in Subsection (8) below, (ii) cash and cash equivalents, securities and short-term deposits pledged/restricted in use or securing in any other way the liabilities included in the financial debt as defined in Subsection (3) above; and (iii) consolidated adjusted EBITDA for the four quarters preceding the measurement, calculated in accordance with the provisions of Subsections (4), (5) and (6) above, less investments in property, plant and equipment amounting to USD 60 million per year (at each annual measurement date as from December 31, 2016, if depreciation expenses for consolidated property, plant and equipment exceed USD 150 million, the rate of increase in depreciation expenses will be added to the amount of the investments) and net of current tax payments in the 12 months preceding the measurement date. It is clarified that the current tax payments will not include tax payments arising from the closing of tax assessments for prior years, for which there is disclosure in the Company's Financial Statements; divided into (b) principal repayments for long-term credit and the amount of interest payments expected to be payable in the 12 months following measurement date.

(8) Cash means cash and cash equivalents, securities and short-term deposits, unless these are pledged/restricted in use or secure in any other way debts that are not included in the Syndication Agreement.

(9) Unutilized balances of binding credit facilities means the unused balances of binding credit facilities, other than unused balances that are pledged/restricted in use or that secure in any other manner the liabilities that are not included in the secured debts. Binding credit facility means a credit facility provided by a financial institution as reflected in a binding document, which can be immediately utilized on demand and for which a commitment fee and/or non-utilization fee is charged by that financial institution.

The covenants will be calculated by rounding the ratio to the first digit after the decimal point.

If, on the date on which the financial covenants are measured, the Company does not comply with any of the covenants listed above, other than the separate cash balance and the unused balances of binding credit facilities in the separate statements, and such non-compliance is within a range that does not exceed 10% (ten percent) of the values fixed for the relevant covenant, such non-compliance for up to two consecutive quarters will not be considered an event of default, provided that additional interest is paid at an agreed rate. However, if there is a provision for impairment of assets, which was not included in the adjusted equity calculation, the remedy will not apply to the covenant for the total adjusted equity, for each quarter in which no provision was included in calculation of the equity.

B. Conditions for distribution of a dividend

The Company may declare dividends totaling up to 75% of the net income in the last four quarters ending on the date of the most recent Financial Statements that were approved prior to the date of the announcement, if all of the following conditions are fulfilled on the date of the announcement:

1. The ratio between (i) net financial debt (1) plus the amount to be distributed and (ii) adjusted EBITDA (2) for each of the two quarters preceding the announcement date (for which the Company's Financial Statements were approved) does not exceed 3.5;

(1) Net financial debt as defined in Subsection 3 above in the financial covenants.

(2) Adjusted EBITDA as defined in subsection 4 above in the financial covenants, calculated for the eight quarters preceding the measurement date, divided in 2. Calculation of adjusted EBITDA does not apply to the provisions referring to the quarters of treatments set out in Subsection 6 above in the financial covenants, therefore the calculation mechanism in subsection 5 above in the financial covenants will not apply.

NOTE 13 - LOANS AND BORROWINGS FROM BANKS AND OTHERS - cont.

B. Agreements with banks - cont.

2. Principal agreements with banks, including by virtue of the Syndication Agreement - cont.

B. Conditions for distribution of a dividend - cont.

2. The ratio between (i) equity in the Financial Statements (without any adjustments) less the amount to be distributed and (ii) net balance sheet (3) for the quarter preceding the declaration date (for which the Company's Financial Statements were approved), will not fall below 25%;

(3) Total assets in the Financial Statements net of cash as defined in Subsection (8) above in an amount exceeding the cash balance that the Company is required to hold under the financial covenants.

3. There was no event of default as defined in the Syndication Agreement, which is still ongoing (other than discontinuation of the work or a significant part thereof at the Company, which does not exceed 15 days) and there will be no event of default due to the distribution of a dividend; and

4. The Company complied with all the financial covenants without any deviation in the last quarter preceding the declaration date (for which the Company's Financial Statements were approved);

The Company may distribute the dividend (after its announcement) provided that at the distribution date, there was no event of default that is still ongoing and there was no event of default due to distribution of the dividend.

C. Loans and/or guarantees provided to Group companies

1. When signing the Syndication Agreement and thereafter, and after receiving the consent of the banks to provide guarantees and/or loans to the Company and the other subsidiaries, Gadiv and Carmel Olefins (together: the “Material Subsidiaries") provided unlimited guarantees to the banks in the Syndication Agreement (including for additional credit provided to the Company) and to other banks that provided the Company with credit.

2. The Company undertook not to provide, and not to take steps to prevent the Material Subsidiaries from providing loans, guarantees or other financing to a third party, other than customer and/or supplier credit in the ordinary course of business and under market conditions, with the exception of:

   A. Loans, guarantees or other financing in favor of the Company and/or in favor of any of the Material Subsidiaries, provided that the debt ratio, as defined below, is no less than 90%. Notwithstanding the aforesaid, if the debt ratio falls below 90% but is higher than 85%, for a period of up to two consecutive quarters, this will not constitute an event of default, provided that within two quarters the ratio returns to at least 90% for two consecutive quarters.

   In this section, "debt ratio" means the ratio of the Company's total debt to financial institutions in the separate statements (without discounting of receivables) and the total consolidated debt to financial institutions in the consolidated statements.

   Subsequent to the signing date of the Syndication Agreement, the Company provided unlimited guarantees to the banks that provided credit to the Material Subsidiaries.

   As at December 31, 2025, the debt ratio is higher than 90%.

NOTE 13 - LOANS AND BORROWINGS FROM BANKS AND OTHERS - cont.

B. Agreements with banks - cont.

2. Principal agreements with banks, including by virtue of the Syndication Agreement – cont.

C. Loans and/or guarantees provided to Group companies

2. cont.

B. Guarantees to be provided by Company to Ducor together with loans to Ducor in a cumulative amount not exceeding EUR 50 million.

For information regarding a guarantee provided by the Company for an amount not exceeding EUR 20 million in favor of a bank which provided a credit facility to Ducor, see Note 13A.

C. Guarantees in favor of the activities of the trading and shipping companies, which will sign guarantees for the Lenders in the syndicate, including their undertaking not to create any lien on their assets and/or rights, and not to take out any credit, other than credit from the Company to be used in their operations, and other than supplier credit in the ordinary course of business and under market conditions.

D. Loans, guarantees or other financing to subsidiaries and/or a sub-subsidiary and/or second tier subsidiaries of any of them, all in a cumulative amount of up to USD 20 million.

3. When signing the Syndication Agreement, which serves as a guarantee as set out in Section 2 above, the material subsidiaries assumed various obligations, specifically not to create any lien on its property and assets (negative lien) under the conditions set out in the financing agreements.

4. In addition, Carmel Olefins undertook: (a) not to make any guarantees whatsoever in favor of a third party, other than: (i) guarantees in the ordinary course of business; and (ii) guarantees to the Company and Gadiv; without the prior written consent of the banks, and (b) it will be subject to restrictions in respect of loans and/or transactions with companies in the Bazan Group and related entities, other than: (i) transactions in the ordinary course of business; (ii) loans to the Company and Gadiv.

D. The Company's undertakings

The Syndication Agreement includes the Company's undertakings to the banks, including:

1. The Company will not create and will not cause the material subsidiaries to create liens on their property and assets (negative lien clause), with the exception of: (a) lien rights and offsetting in bank account or during the ordinary course of business and under market conditions, (b) the transfer, assignment or endorsement of documents for export or import of goods, to a bank that will provide credit to finance the export or import; and (c) a lien on inventory exceeding 1.2 million tons, by the Company, for its financing through a non-recourse loan, which can be called for repayment from the pledged inventory only.

2. The Company's holdings in the shares of its material subsidiaries will not fall below 51%.

NOTE 13 - LOANS AND BORROWINGS FROM BANKS AND OTHERS - cont.

C. Agreements with banks - cont.

2. Principal agreements with banks, including by virtue of the Syndication Agreement – cont.

D. The Company's undertakings - cont.

3. The Company will not change the nature of its businesses and will cause the material subsidiaries not to change the nature of their business; as part of the above, the Company will not sell and/or dispose of a material asset or a material right, and will cause the subsidiaries not to sell and/or dispose of a material asset (unless it is no longer in use) or a material right, which is not in the ordinary course of business and under market conditions, without the prior written consent of the Lenders. "Substantive asset" and "material right" - an asset and/or right with an economic value of at least USD 30 million.

4. The Company will only take out shareholder loans under conditions that are not less favorable than market conditions and after obtaining all approvals required by law and subject to the provisions in Section 5 below.

5. The Company will not carry out: (a) A distribution, as defined in the Companies Law, unless in accordance with Section B above regarding the conditions for distribution of a dividend; (b) Any other payment (cash or cash equivalents), transfer of assets or providing a benefit to a related party or the acquisition of assets from a related party, with the exception of (i) Directors' fees and compensation, reimbursement of expenses and bonuses to directors; (ii) The transaction was made in the ordinary course of business and under market conditions; and (iii) Payment of management fees in a cumulative amount of up to USD 5 million per year; (c) Acquisition, redemption or return of its shares or the financing of any of these activities unless it is in accordance with Section B above regarding terms and conditions for dividend distribution; and (d) An undertaking to carry out any of these activities.

   In addition, the Company will ensure that its subsidiaries do not enter into any transaction with a related party, unless the transaction is in the ordinary course of business and under market conditions.

   In this section, "related party" is defined as an interested party and/or controlling shareholder and/or a relative of any of them and/or an entity related to any of them.

E. Events of default

The Syndication Agreement (as do the other bank credit agreements extended to the Company) includes events which, if they occur, grant the Lenders the right to call for immediate repayment of the loan, including:

1. An amount (or cumulative amounts) exceeding USD 25 million payable by the Company and/or any of the Guarantors to a financial institution and/or debenture holders was called for immediate payment; or an amount (or cumulative amounts) exceeding USD 50 million payable by the Company and/or any of the Guarantors to third parties was called for immediate repayment due to grounds to call for immediate repayment or due to a claim of default (cross acceleration).

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 13 - LOANS AND BORROWINGS FROM BANKS AND OTHERS - cont.

C. Agreements with banks - cont.

2. Principal agreements with banks, including by virtue of the Syndication Agreement – cont.

E. Events of default - cont.

1. cont.

In this context, it should be noted that, since this event is included in all the bank credit agreements made available to the Company, and as at December 31, 2025, the Company does not have bank financing or debentures totaling less than USD 25 million, then all the loans and debentures made available to the Company, amount to a 'loan with a material cross-default clause', whose violation will establish grounds for immediate repayment of loans the aggregate amount of which is material to the Company.

2. Work in the Company or a significant part thereof is discontinued for 60 consecutive days or more, except due to renovations planned in advance and except in cases where the damage resulting from discontinuation of the work does not exceed a cumulative amount of USD 50 million.

3. The Lenders informed the Company that based on their reasonable judgment, a significant adverse effect occurred as defined in the Syndication Agreement.

4. There was a change in control, as defined in the Syndication Agreement, without obtaining the prior written consent from the Lenders.

NOTE 14 - DEBENTURES

A. Composition

	Weighted interest as at December 31, 2025	As of December 31 2025	2024
Debentures at amortized cost with application of hedge accounting, net (1) (2) (shekel series)	5.6%	807	657
Less current maturities		(113)	(75)
		694	**582**
Balance of debentures at amortized cost, net (USD-linked series)		–	67
Less current maturities		–	(67)
		-	**-**
Total debentures		**807**	**724**
Less current maturities		**(113)**	**(142)**
Total debentures, net		**694**	**582**

(1) For details regarding a series expansion carried out during the reporting period, see Section B below.
(2) The weighted effective interest rate in terms of USD interest after taking into account swap transactions is approx. 6.7%.

NOTE 14 - DEBENTURES - cont.

B. Additional information about the Company's public debentures

Series	Original date of issue	p.v. as at raising debt in USD millions(1) (2)	Balance of adjusted p.v. as at December 31, 2025, in USD millions(2)	Market value as at December 31, 2025, in USD millions (3)	Coupon interest	Principal repayment dates	Interest repayment dates (4)	Linkage basis and terms (principal and interest)
Series J	September 15, 2019	276	145	140	2.7%	23 unequal semi-annual payments on September 25 of each of the years 2020 to 2031 and on March 25 of each of the years 2021 to 2031; for each of the first to the ninth payments (inclusive), 2.5% of the principal will be repaid; for each of the tenth to the thirteenth payments (inclusive), 12.5% of the principal will be repaid; for each of the fourteenth to the twenty-second payments (inclusive), 2.5% of the principal will be repaid; and in the twenty-third and last payment, 5% of the principal will be repaid.	On March 25 and September 25 of each of the years 2020-2031	Non-linked
Series L	September 16, 2020	332	307	313	5.0%	12 unequal semi-annual payments, payable on March 25 and September 25 of each of the years 2021, 2025, 2026, 2027, 2028, and 2029; in each of the first to the fourth payments (inclusive), 2.5% of the principal will be repaid, in the fifth and sixth payments (inclusive), 5% of the principal will be repaid, in the seventh and eighth payments (inclusive), 10% of the principal will be repaid, and in the ninth to twelfth payments (inclusive), 15% of the principal will be repaid.	On March 25 and September 25 of each of the years 2021-2029	Non-linked
Series M	April 20, 2023	165	165	175	5.75%	14 unequal semi-annual payments on March 25 and September 25 of each of the years 2026 through 2032; for each of the first and the second payments (inclusive) - 3% of the principal will be repaid; for the each of the third and fourth payments (inclusive) - 6% of the principal will be repaid; for each of the fifth and sixth payments (inclusive) - 4.5% of the principal will be repaid, for each of the seventh and eighths payments (inclusive) - 6.5% of the principal will be repaid, for each of the ninth and tenth payments (inclusive) - 10% of the principal will be repaid, for each of the eleventh and twelfth payments (inclusive) - 12% of the principal will be repaid; and for each of the thirteenth and fourteenth payments (inclusive) - 8% of the principal will be repaid.	On September 25, 2023 and on March 25 and September 25 of each of the years 2024-2032	Non-linked
Series O	October 1, 2024	206	206	211	5.25%	12 unequal semi-annual payments on June 25 and December 25 of each of the years 2029 through 2034; for each of the first and the second payments - 4% of the principal will be repaid; for the each of the third and fourth payments (inclusive) - 7% of the principal will be repaid; for each of the fifth and sixth payments - 9% of the principal will be repaid; and for each of the seventh to twelfth payments - 10% of the principal will be repaid.	On December 25, 2024, June 25 and December 25 of each of the years 2025-2034	Non-linked

(1) In addition to the original issuance date, Series J and L were expanded in 2020, and Series L was expanded in 2021-2022, Series M was expanded in 2024, and Series O was expanded in 2025.
(2) Translation at the exchange rate as at December 31, 2025.
(3) The market capitalization is based on the closing price quoted on the TASE and is translated according to the exchange rate on December 31, 2025.
(4) As at December 31, 2025, the interest payable for the debentures is approx. USD 8 million.

NOTE 14 - DEBENTURES - cont.

B. Additional information about the Company's public debentures - cont.

The Company's public debentures are rated by Maalot (S&P) - the Israel Securities Rating Company Ltd. As at the reporting date, the rating of the Company and its debentures is ilA+ with a negative outlook, which was reiterated on March 25, 2026.

Following are details regarding issuances and expansions of debenture series issued in 2024-2025:

Date	Type of issue	P.v. at the issue date, in USD millions (2)	Net consideration net of issuance costs, in USD millions
August 2025	Extension of Series O (1)	132	132
October 2024	Issuance of Series O (1)	59	54
January 2024	Expansion of Series M (1)	81	81

(1) To reduce currency and interest exposure, the Company entered into cross-currency interest rate swaps (including fixing the USD interest) and elected to apply cash flow hedge accounting principles.
(2) Translation at the exchange rate as at the date of issue.

C. Key financial covenants

A. The Company undertook that until the repayment date of Debentures (Series J, L, M and O), it will comply with the financial covenants.

Following are the financial covenants of Debentures (Series J, L, M and O) as defined in the deed of trust:

	Required	Required ratio/ amount	Actual ratio/ amount
Adjusted equity (in USD millions) (1)	≥	720	1,967.0
Adjusted equity plus shareholder loans out of consolidated total assets (2)	≥	17.5%	50.3%(3)
Net debt divided by the average consolidated annual adjusted EBITDA(4)	≤	8	1.7
Consolidated cash and cash equivalents (in USD millions)	≥	50	614.7

(1) For Debentures (Series J and L), adjusted required equity - is approx. USD 630 million
(2) For Debentures (Series J and L) required adjusted equity plus shareholder loans out of consolidated total assets – 15%.
(3) For Debentures (Series M and O), the actual ratio is 51.3%.
(4) In calculating the consolidated adjusted EBITDA for the financial covenants of the net debt divided by consolidated average adjusted EBITDA ratio, payments totaling USD 123 million received in the reporting period were included, out of approx. USD 160 million in total revenues from loss of income insurance, recorded in the reporting period. For details, see Note 1C above.

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

NOTE 14 - DEBENTURES - cont.

C. Key financial covenants - cont.

B. Following are the definitions of the terms as defined in the trust deeds:

(1) Adjusted equity means equity as at the date the adjustment was measured: (a) For the period as from the fourth quarter of 2013 - the cumulative effects of the adjustments used to calculate the adjusted EBITDA as presented by the Company in the interim and annual reports of the board of directors; and (b) Changes in equity arising from adjusting deferred tax assets or liabilities due to changes in statutory tax rates and/or tax laws applicable to the Company.
The equity calculation will not include a provision for impairment of assets in accordance with IAS 36, which was recognized up to an amount of USD 100 million (with respect to Debentures (Series M and O) on the entire provision amount), for two consecutive quarters from the quarter of initial recognition.

(2) Total balance sheet means consolidated total assets less cash in an amount exceeding USD 75 million (with reference to Debentures (Series M and O) net of the full amount of the cash). In addition, if the provision for impairment is adjusted in the equity calculation, the adjustment amount will be added to the total consolidated total assets.

(3) Net debt means the debt to financial institutions and debenture holders net of cash (5); the amount of the debt relating to the Company's debentures for the purpose of calculating the net debt will be based on the fair value of the debentures, or, as the case may be, on the carrying amount after hedge accounting, and calculation of the debt will take into account the value of the Company's hedging transactions together with the issue of the Company's debentures and with regard to their issue, provided that in any case, the amount of the debt for the debentures does not fall below the liability value of the Company's debentures (meaning, the outstanding principal of the debentures together with the interest as at the testing date), and revaluation of the hedge transactions will not fall below their liability value (meaning, the outstanding principal of hedging transactions together with the interest as at the testing date).

(4) Adjusted EBITDA means the consolidated adjusted EBITDA as presented by the Company in its interim and annual reports of the board of directors and as set out below:

A. Calculation of adjusted annual EBITDA will also include payments for one-time indemnity received by the Company from third parties.

B. Adjusted EBITDA will be calculated according to the higher of: (a) adjusted EBITDA in the four quarters prior to the measurement date, as defined in the Trust Deeds; or (b) adjusted EBITDA in the two quarters prior to the measurement date, multiplied by two. It is clarified that if the EBITDA includes payments for indemnification, as described above, these payments will not by multiplied by two, but will be included once only in the adjusted annual EBITDA calculation.

C. The Company may elect not to include maintenance quarters, as defined below, in the adjusted EBITDA. If the adjusted EBITDA does not include a maintenance quarter, then instead of that quarter, the EBITDA will include the prior quarter that is closest to the maintenance quarter, so that in any event, four quarters will always be taken into account. If the Company elects not to include maintenance quarters in the EBITDA, the contents of Section B above will not apply. Notwithstanding the aforesaid, it is agreed that in a period of five consecutive years, no more than four quarters of maintenance will be adjusted, no more than two maintenance quarters will be adjusted consecutively, and no more than two maintenance quarters in the same calendar year will be adjusted.
In this section, "Maintenance Quarters" means the quarters in which the Group performs periodic maintenance at one of its plants, which continues for at least 30 days, and its effect on the adjusted EBITDA exceeds USD 20 million per quarter.

D. In addition, with reference to Debentures (Series M and O) only, calculation of the annual adjusted EBITDA will also include dividends and/or repayments of shareholder loans received by the Company from equity-accounted entities and expenses for share-based payment will be adjusted.

NOTE 14 - DEBENTURES - cont.

C. Key financial covenants - cont.

B. Following are the definitions of the terms as defined in the trust deeds: - cont.

(5) Cash means cash and cash equivalents, deposits and securities portfolio and with respect to Debentures (Series L, M and O), unless these are encumbered/restricted for use or secure other liabilities that are not included in the debt to financial institutions.

C. The Company's failure to comply with one or more of the financial covenants in accordance with two consecutive financial statements is cause for immediate repayment. However, if the deviation rate according to the second financial statement does not exceed 10% of the values determined, grounds for immediate repayment will only apply if there is a deviation from the financial covenants in subsequent financial statements as well.

D. The deeds of trust include interest rate adjustment mechanisms arising from non-compliance with financial covenants and arising from a change in the debenture rating.

D. Additional main undertakings towards holders of Debentures (Series J, L, M and O)

1. Call for immediate repayment

The deeds of trust established grounds to call for immediate repayment, including:

A. If there was a call for immediate repayment of one of the following: a different debenture series that the Company issued to the public; or the Company's debt to a financial institution, including an institutional entity (with the exception of a non-recourse debt to Company) in an incremental amount exceeding the lower of the following: (1) USD 150 million; or (2) 15% of the Company's total obligations to financial institutions in accordance with its most recent Consolidated Financial Statements prior to the call for immediate repayment.

B. With regard to the debentures series M and O, if a going concern emphasis of matter is recorded in the Company's financial statements over a period of two (2) consecutive quarters, and there is reasonable concern that the Company will not meet its material obligations towards the debenture holders.

2. Early redemption

The Company may redeem the debentures by way of early redemption, in whole or in party, at its own initiative, at its sole discretion, and in such a case the provisions set out in the deeds of trust will apply. The frequency of early repayments will not exceed one redemption each quarter.

The amount payable to the debenture holders will be the higher of the following: (1) The market value of the balance of the debentures in circulation; or (2) the liability value of the debentures in circulation called up for early redemption; or (3) the cash flow of the debentures called up for early repayment (principal plus interest), discounted on the basis of the return on government bonds as defined in the deed of trust, plus 1.25%-2 interest.

NOTE 14 - DEBENTURES - cont.

D. Additional main undertakings towards holders of Debentures (Series J, L, M and O) – cont.

3. Restrictions on dividend distribution

Until the date on which the debentures are repaid, the Company will not declare, pay or distribute a dividends, in any of the following cases, including if, insofar as there is a distribution, one of the cases described in the deed of trust occurs, specifically: (1) There are grounds for immediate repayment or breach of any of the Company's material obligations under the provisions of the Deed of Trust; (2) Failure to meet financial covenants; (3) The Company's equity, as defined in the Deeds of Trust, is less than USD 690 million in Debentures (Series J), USD 720 million in Debentures (Series L) and USD 760 million in Debentures (Series M and O).

In addition, for Debentures (Series L, M and O), adjusted equity plus shareholder loans to total consolidated balance sheet (as calculated for the covenant) is less than 20%, 21% and 21%, respectively, in accordance with the most recent financial statements, or according to the most recent published financial statements, there are "warning signs" as defined in Regulation 10(b)(14) of the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

In addition, the Company undertook that if the terms for the distribution are not met, the Company will not repay, in any way, the shareholder loans that were provided to the Company, if provided (including any principal or interest payments), until the full, final and precise repayment of the debt in accordance with the terms of the debentures.

4. Negative lien

Until the settlement date of the debentures, the Company will not create a lien on its assets in favor of a third party (other than for cases listed in the deeds of trust), unless, when creating the lien, the Company also creates a lien on the asset and at the same degree pari passu in favor of the debenture holders.

In addition to the provisions of Sections 4-1 above, the deeds of trust include additional standard market provisions and obligations.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 15 - OTHER PAYABLES AND CREDIT BALANCES

A. Trade payables

	As of December 31	
	2025	2024
Trade payables with extension of credit days [(1)]	293	415
Trade payables without extension of credit days and others	528	451
	821	**866**

(1) As at December 31, 2024 - includes a total of approx. USD 128 million in respect of the purchase of inventory as per the availability transaction; for details see Note 20B4. Regarding agreements for extension of supplier credit days, see below. For further details regarding finance expenses for the extension of credit days, see Note 26.

For details regarding transactions and related and interested parties, see Note 27.

For information about the Group's exposure to currency and liquidity risk and for the risk management policy for payables, see Notes 29, 30B, and 30C.

Agreements for extension of supplier credit days

In the ordinary course of business, the Company enters into agreements (framework agreements for fixed terms and spot transactions) with several crude oil suppliers, allowing it to purchase crude oil from the suppliers (with respect to some of the framework agreements setting the minimum amount) and receive, as a rule, credit of up to approx. 60 days (and in certain cases - up to approx. 90 days) without collateral (in relation to the framework agreements up to a maximum amount of crude oil and against payment of transaction costs estimated at an annual amount which is not material to the Company). If the Company exercises its right to extend the suppliers’ credit beyond 30 days, it will bear the cost of the suppliers' credit for the period beyond the 30 days, which is on market terms, and similar to other tracks for the Company’s short-term working capital. Other than the above terms, the purchase of crude oil from the suppliers is on the market terms prevailing on each purchase date. In addition, in general, the Master Agreements include conditions for their termination if certain events occur, including controls for significant deterioration in the state of the Company's business.

The maximum potential amount of suppliers' credit due to the extension of the credit days depends on the amount of crude oil purchases from suppliers with which the Company has an agreement to extend the credit days, the credit days to be determined by the Company for each transaction (within the set range of days), and the price of crude oil.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 15 - OTHER PAYABLES AND CREDIT BALANCES – cont.

B. Other payables and credit balances

	As of December 31	
	2025	2024
Deposits from customers [(1)]	30	23
Advance payments from customers	13	7
Employees [(2)]	54	52
Institutions [(3)]	10	20
License fees payable [(4)]	4	3
Taxes payable	20	45
Lease liability - current maturities	23	22
Interest payable	8	9
Others	3	14
	165	**195**

(1) Deposits provided by customers to secure some of the current sales in the Refining Segment. Cash received in respect of these deposits are not limited in use and are used by the Company for its operating activities.

(2) See also Note 18C.

(3) As at December 31, 2024 - includes a VAT payable balance.

(4) See also Note 12B1.

For information about the Group's exposure to currency and liquidity risk and for the risk management policy for some of the other payables, see Notes 29, 30B, and 30C.

NOTE 16 - INCOME TAX

A. Tax environment of the Group

The Group companies are taxed in Israel in accordance with the provisions of the Israeli Income Tax Ordinance (New Version), 1961 (hereinafter - the "Ordinance"), with the exception of the consolidated companies of Carmel Olefins, which are taxed in the Netherlands (mainly Ducor).

1. Rate of corporate tax

The corporate tax rate in Israel for 2023-2025 is 23% and in the Netherlands - 25.8%.

For details about the tax rates applicable to the Group companies taxed in Israel and entitled to benefits under the Encouragement of Capital Investments Law, see Section 3 below.

2. Benefits under the Law for Encouragement of Industry (Taxes), 1969

The Company, Carmel Olefins, and Gadiv are industrial companies, as defined in the Law for Encouragement of Industry (Taxes), 1969, and as such, they are entitled to benefits. The main benefits are: (1) Depreciation at increased rates; (2) amortization of issuance expenses upon listing the Company's shares for trade on the exchange; (3) an 8-year amortization period for the patents and knowhow used in the development of the enterprise; (4) an option to submit consolidated tax return for companies sharing a single production line.

The Company, Carmel Olefins, and Gadiv file a consolidated tax return to the Israel Tax Authority in accordance with Section 23(a) of this law.

NOTE 16 - INCOME TAX - cont.

A. Tax environment of the Group – cont.

3. Benefits by virtue of the Law for the Encouragement of Capital Investments, 1959

Beneficiary/approved enterprise

As a rule, beneficiary or approved enterprises are eligible for tax benefits, including tax-exempt income and taxable income at a reduced tax rate for limited periods defined in each plan. The benefits are conditional on compliance with the criteria set out in the law, (including compliance with certain export rates).

Distribution of a dividend from the revenue of an approved beneficiary enterprise is taxable at a rate of 15%. However, an exemption was established for taxes on a dividend received by a company resident in Israel from the profits of an approved/beneficiary enterprise, which were generated in the benefit period according to the provisions of the law prior to the amendment, if the company distributing the dividend informs the Israel Tax Authority of the applicability of the provisions of the amendment to the Law before June 30, 2015 as outlined below, and the dividend is distributed after the date of the notice.

Amendment to the Law of December 29, 2010

On December 29, 2010, the Knesset passed the Economic Arrangements Law for 2011-2012, which includes an amendment to the Encouragement of Capital Investments Law, 1959 (hereinafter - the “Amendment”). The Amendment entered into effect on January 1, 2011 and its provisions apply to preferred income generated by or arising from a preferred enterprise, as defined in the Amendment, in 2011 and thereafter. The Company can choose not to be included in the scope of the Amendment and to remain within the scope of the law, prior to its amendment, until the end of the benefit period; the 2012 tax year is the last year that the Company can choose as the base year, provided that the minimum qualifying investment began in 2010.

As from the 2014 tax year, the tax rate on preferred income for an enterprise that is not in Development Area A is 16%.

Furthermore, on December 21, 2016 the Knesset passed the Economic Efficiency Law (Legislative Amendments for the Achievement of the Budget Objectives for the Budget Years 2017 and 2018), 2016 specifying, among other things, that an enterprise not in Development Area A that meets the definition of a "Special Preferred Enterprise" is entitled to a reduced tax rate of 8% for a benefit period of 10 consecutive years.

No tax will apply to a dividend distributed out of preferred income to a shareholder that is an Israeli resident company, for both the distributing company and the shareholder.

A. <u>The Company</u>

In 2021, the Company announced its inclusion in the scope of the amendment to the law as from the 2022 tax year.

In prior years, the Company informed the Israel Tax Authority that it elected 2008 and 2012 as the base years (and therefore, the periods of benefits in respect thereof will end no later than 2023), in accordance with Section 51(d) of the Law for the Encouragement of Capital Investments, 1959 (hereinafter - the “Law"); however, the Company did not utilize any benefits in respect thereof. In addition, in the years prior to the plans, the Company utilized benefits under the Law.

NOTE 16 - INCOME TAX - cont.

A. Tax environment of the Group – cont.

3. Benefits by virtue of the Law for the Encouragement of Capital Investments, 1959 – cont.

A. The Company – cont.

In 2023, the Company applied for "Special Preferred Enterprise" status (for companies filing a consolidated tax return as aforesaid). The Company believes it complies with quantitative conditions of Section 51T of the law. It should be clarified that in addition to the quantitative conditions, the approval of the directors as defined in the law should also be received. As at the report approval date, the approval of the directors has not yet been received. Due to the uncertainty in accepting the Company's position, the tax rate applied in the Group's reports is based on the tax rate on preferred income for an enterprise that is not in Development Area A, namely 16%.

B. Carmel Olefins and Gadiv

Carmel Olefins and Gadiv entered into the application of the amendment to the Law beginning from 2019 and 2016, respectively.

C. The tax effect in respect of tax-exempt income

If a dividend is distributed from tax-exempt income from prior years, the benefit period of which has already ended, or the companies are considered as having distributed a dividend in accordance with Section 51B of the Law, the companies will be taxed the rate set out in the law.

Amendment No. 74 and the Temporary Order to the Law were published on November 15, 2021 (hereinafter - the "Temporary Order"). The Temporary Order suggests an arrangement for payment of reduced tax to companies that are exempted from corporate tax under the Law. The reduced corporate tax rates shall be set in accordance with the terms of the Temporary Order and will not be lower than 6%. Companies that will opt to apply the Temporary Order through November 14 2022 shall pay corporate tax at reduced rates within 30 days from the date of their notice to the Israel Tax Authority and will undertake to invest in their enterprise - over a 5-year period - an amount that will be calculated based on a formula set in the Temporary Order.

In 2021, Carmel Olefins and Gadiv opted to apply the Temporary Order.

As of report date, Group companies have not such tax-exempt profits.

4. Global Minimum Tax

The Group is defined as a multinational group, with some of the Group's entities operating in jurisdictions in respect of which Pillar 2 legislation was effectively completed during the reporting period. The Group has assessed the potential exposure to taxes arising from the Pillar 2 rules based on the most recent information available on the financial performance of the entities within the Group in the various countries. Based on the assessment conducted, the Group has not identified potential exposure to a tax increment.

In addition, the Group has implemented the mandatory temporary exemption from recognition and disclosure of temporary differences arising from the implementation of the new legislation. In light of the above, the implementation of the aforementioned exemption did not materially affect the Group's Financial Statements.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 16 - INCOME TAX - cont.

B. Components of expenses for income tax

	For the year ended December 31		
	2025	2024	2023
Current tax expenses			
Current tax expenses	9	22	92
Tax expenses in respect of previous years (1)	27	–	–
	36	**22**	**92**
Deferred tax expenses			
Deferred tax expenses (income) (1)	(23)	4	(10)
	(23)	**26**	**(10)**
Expenses for income tax	**13**	**26**	**82**

(1) Tax expenses from previous years, mainly due to the closing of income tax assessments for the Company, Carmel Olefins and Gadiv up to and including 2023, which were almost fully offset against deferred tax revenues.

C. Reconciliation between the theoretical tax on pre-tax income and carrying amount of income taxes:

	For the year ended December 31		
	2025	2024	2023
Profit before income tax	60	139	490
The main statutory tax rate of the Company	**16%**	**16%**	**16%**
Tax based on the statutory tax rate	10	22	78
Addition (saving) in tax liability for:			
Effect of the creation of taxes at a tax rate that is different from the primary tax rate	(3)	–	(1)
Non-deductible expenses	1	1	1
Expenses and losses for tax purposes in respect of which deferred taxes were not generated.	6	–	–
Tax expenses in respect of previous years	4	2	–
Utilization of carryforward losses for which deferred taxes were not created	(5)	(3)	–
Difference between the measurement basis of income as reported for tax purposes and the measurement of income as reported in the financial statements net and others	–	4	4
Expenses for income tax	**13**	**26**	**82**

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 16 - INCOME TAX - cont.

D. Recognized deferred tax assets and liabilities and movements therein

Deferred taxes are calculated according to the tax rate expected to apply on the reversal date as described above, according to the relevant tax rates in the areas of activity.

The Group companies did not recognize deferred tax liabilities in respect of temporary differences in connection with investments in consolidated companies, due to the fact that the companies control the timing of the reversal of the temporary difference, such that it can be expected that the temporary difference will not be reversed in the foreseeable future. The Group Companies recognized deferred tax liabilities in respect of temporary differences related to investments in associates, according to the Group's holding stake in those companies.

1. Deferred tax assets and liabilities are attributed to the following items:

	Property, plant and equipment	Employee benefits	Losses carried forward for tax purposes (1)	Other	Total
Deferred tax asset (liability) as at January 1, 2024	(279)	19	4	(2)	(258)
Other changes recognized directly in other comprehensive income or equity	-	-	-	5	5
Changes recognized directly in profit and loss	(2)	(1)	5	(6)	(4)
Deferred tax asset (liability) as at December 31, 2024	**(281)**	**18**	**9**	**(3)**	**(257)**
Changes recognized directly in other comprehensive income	-	-	1	3	4
Changes recognized directly in profit and loss	31	(1)	(2)	(5)	23
Deferred tax asset (liability) as at December 31, 2025	**(250)**	**17**	**8**	**(5)**	**(230)**

(1) As at December 31, 2025, Group companies have carryforward business losses totaling approx. USD 65 million (as of December 31, 2024 - approx. USD 37 million), mostly originating in The Netherlands, out of which deferred tax assets for approx. USD 31 million in losses were generated. In addition, as at December 31, 2025, the Group companies have carryforward capital losses of immaterial amounts (as at December 31, 2024 - approx. USD 29 million, for which no deferred tax assets were generated).

2. Deferred taxes are presented as follows:

	As of December 31	
	2025	2024
Non-current assets (through receivables and debit balances)	10	9
Non-current liabilities	(240)	(266)
	(230)	**(257)**

E. Tax assessments and discussions

1. The Company, Carmel Olefins and Gadiv have final tax assessments up to and including the 2023 tax year.
2. Ducor has final tax assessments up to and including 2019.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 17 - OTHER LONG-TERM LIABILITIES

Composition:

	As of December 31	
	2025	2024
Lease liability (without current maturities) [1]	123	107
Liability for dismantling and evacuation of land - Ducor (2)	12	10
Liability for the water treatment plant	-	2
Payables for financial derivatives	16	-
Net payable for inventory availability agreement [3]	4	-
	155	**119**

(1) For details regarding land and building leases, see Note 12B1.
(2) For details, see Note 12B3.
(3) For details, see Note 20B4.

NOTE 18 - EMPLOYEE BENEFITS

A. Employment agreements

The Group companies and most of their employees have collective agreements regulating labor relations and employment conditions of employees, who are divided into several generations. The collective wage agreements were valid until December 31, 2024, and as at the approval date of the financial statements, negotiations with the employees' representatives for new wage agreements continue. In addition, some employees of the Group companies, including executives, have signed individual employment agreements.

B. Main types of employee benefits

Employee benefits include mainly: (1) short-term benefits (mainly salaries to pay, provisions for leave and recuperation and provisions for bonuses, where relevant); (2) post-employment benefits (benefits under the Severance Pay Law, increased benefits, and benefits for the Group's retirees); (3) other long-term benefits (mainly tuition for the children of employees and jubilee bonus and long-term bonuses); and (4) severance benefits (mainly early retirement plans).

1. Post-employment benefit plans

According to labor laws and the Severance Pay Law in Israel, the Group companies are required to pay compensation to an employee upon dismissal or retirement (including employees leaving the job under other specific circumstances).

A. Defined contribution plans

1. The Company and Gadiv (hereinafter, in this section - the “Companies")

In accordance with the collective agreements applicable as from January 1, 2014, Section 14 of the Severance Pay Law applies to the severance pay liabilities of the companies. In addition, for surplus compensation (half month salary for each year of employment in the Companies, between 20 and 30 years and an additional month for each year of employment beyond 30 years), the Companies transfer to individual policies that they own, on behalf of each employee, 4.166% of the effective wage as defined in the agreement as from the 21st year of employment in the Company and 8.33% of the effective salary from the 31st year of employment in the Company.

NOTE 18 - EMPLOYEE BENEFITS

B. Main types of employee benefits - cont.

1. Post-employment benefit plans – cont.

A. Defined contribution plans – cont.

1. The Company and Gadiv – cont.

Since according to the terms of these agreements, the obligations of the Companies for compensation and surplus compensation are restricted to the amount they deposit in pension funds and individual policies, the actuarial and investment risks fall on the employees. Accordingly, these benefits, as well as contributions for retirement benefits, are classified as defined contribution plans.

2. Carmel Olefins

Section 14 to the Severance Pay Law, 1963 applies to some of Carmel Olefins' employees. Its ongoing contributions into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom the contributions were made. These contributions and contributions for retirement benefits represent defined contribution plans.

3. The contribution amounts for each of the years 2023-2025 are approx. USD 17 million.

B. Defined benefit plan

1. Section 14 to the Severance Pay Law does not apply to some of the employees with personal employment agreements, who are eligible for compensation based on their last salary (which management believes gives rise to the right for compensation) and taking into account the number of years of employment, and in some cases, different levels of increased severance pay.

2. The Group companies have undertaken to pay some employees with a personal agreement, whose employment is discontinued due to dismissal or resignation, payment of up to 6 monthly salaries.

3. Retirees of Group companies are entitled to receive benefits, mainly gifts for holidays, Company products, and weekend holidays. The liabilities of the companies for these benefits are accrued during the employment period. During the reporting period, the Company and Gadiv carried out a partial settlement of the liability for future benefits by way of a one-off redemption, as a result of which the Company and Gadiv recognized a decrease of approx. USD 17 million in the liability and an income of approx. USD 7 million, which will come under the other revenues line item.

2. Termination benefits

A. Early retirement

As at the date of early retirement, the Company and Gadiv pay the insurers a lump-sum for the payment of monthly compensation to the employees during the early retirement period, until they reach the statutory retirement age, and supplemental pension rights under the terms of the collective agreement.

NOTE 18 - EMPLOYEE BENEFITS - cont.

B. Main types of employee benefits - cont.

2. Termination benefits – cont.

A. Early retirement – cont.

Carmel Olefins (and the Company, in respect of certain employees) pays a monthly compensation for early retirement, up to the date of eligibility for comprehensive pension from the pension fund (when the employees reach the statutory retirement age). Carmel Olefins and the Company recognize a liability for these amounts.

In 2023, the Company's Board of Directors approved an early retirement plan for employees (before the statutory retirement age) for 2023-2025, according to which approx. 20 employees will retire, at a total cost of approx. USD 12 million (approx. NIS 45 million). In each of the years 2023-2024, the Group recognized approx. USD 6 million in expenses under the other expenses line item. In addition, in 2025, the Company's Board of Directors approved an early retirement plan for employees (before the statutory retirement age) for 2025-2026, according to which approx. 10 employees will retire, at a total cost of approx. USD 5 million (approx. NIS 16 million). In 2025, the Group recognized approx. USD 4 million in expenses under the other expenses line item.

B. Loan to Haifa Early Pension Ltd. (hereinafter - "Haifa Early Pension")

According to the collective agreement for early retirement and enhanced severance pay of Company employees, signed between the Company and representatives of the employees on June 14, 2006 (hereinafter - the “Early Retirement Agreement"), a loan agreement was signed between the Company and Haifa Early Pension, whereby the Company granted a loan of approx. NIS 300 million, linked to the CPI, to purchase pension rights for the employees, at any date or time, if Haifa Early Pension sees that the Company was in breach of the Early Retirement Agreement. Haifa Early Pension will invest the loan in bank deposits or in debentures listed on the TASE or in marketable government bonds.

Haifa Early Pension will pay the Company interest and principal in accordance with the terms of the loan agreement. The principal and interest repayment is scheduled for January each year, commencing on 2010, subject to approval of the workers’ union of the calculation method for payment of the principal.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 18 - EMPLOYEE BENEFITS - cont.

C. Composition of employee benefits

	As of December 31	
	2025	2024
Presented as current liabilities - other payables		
Short-term employee benefits [1]	49	44
Liabilities for early retirement [2]	3	6
Current maturities for dismissal - early retirement	2	2
	54	**52**
Presented as non-current liabilities - employee benefits		
Recognized liabilities for a defined benefit plan (mainly benefits for retirees) [3]	43	52
Liabilities for other long-term benefits	3	3
Termination benefits - early retirement [2]	10	8
Less current maturities for dismissal - early retirement	(2)	(2)
Less fair value of plan assets	(8)	(7)
	46	**54**

(1) Short-term employee benefits include obligations for salary and social benefits, liabilities for leave and a provision for bonuses.
(2) For details, see Section B2a above.
(3) For details, see Section B1b3 above.

	As of December 31	
	2025	2024
Presented as current assets – other receivables		
Current maturities of loans to Haifa Early Pension	**7**	**3**
Presented as non-current assets		
Loan to Haifa Early Pension	27	22
Less current maturities of loan to Haifa Early Pension	(7)	(3)
	20	**19**
Fair value of plan assets	5	4
Less liabilities recognized for defined benefit plan	(3)	(2)
	2	**2**

D. Expense (income) recognized in profit and loss for a defined benefit plan

	For the year ended December 31		
	2025	2024	2023
Cost of current service	1	1	2
Interest expenses, net	2	2	2
Exchange rate differences	5	-	(1)
	8	**3**	**3**

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 18 - EMPLOYEE BENEFITS - cont.

E. Main actuarial assumptions

1. Main actuarial assumptions for benefits for the Company's retirees in the reporting period (in %):

	2025	2024
Discount rate (CPI-linked)	3.0 -3.1	3.3 -3.4
Churn rate	1.1-3.3	1.1-3.3

2. Future mortality rates are based on standard mortality tables and demographic assumptions as published by the Ministry of Finance’s circulars.

3. The discount rate is based on market input for high-rated linked corporate debentures, according to the gross yield to maturity of debentures with an average duration proximate to the average life of the liability).

A reasonable change in the assumptions listed above will not materially change the Group’s operating results.

F. For further details regarding benefits for officers, see Notes 21B and 27.

NOTE 19 - GUARANTEES AND LIENS

A. As at December 31, 2025, the Company provided bank guarantees to institutions and others in immaterial amounts.

B. As at December 31, 2025, the Company opened short-term documentary letters of credit for suppliers in the ordinary course of business. For further details, see Note 13A.

C. As at the reporting date, the Company has provided guarantees in favor of banks that granted certain credit to the subsidiaries (Carmel Olefins and Gadiv) and guarantees in favor of a bank that granted credit to Ducor. Ducor recorded liens in favor of a bank that provided it with credit. In addition, the subsidiaries (Carmel Olefins, Gadiv, Trading and Shipping) provided guarantees in favor of the Company. For further details, see Note 13.

D. For details about the commitments of the Company, Carmel Olefins and Gadiv for a negative lien, see Notes 13B2 and 14D4.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

Note 20 - Contingent liabilities, agreements and other developments and events

A. Contingent liabilities

Parties	Court	Claimed amount	Nature of the claim	Odds of the claim
1. Proceedings involving local authorities				
Mei Carmel against the Company and the subsidiaries	Letters of demand (2/2021)	Approx. NIS 79 million (approx. USD 25 million as at report date)	Demand for payment of construction fees for water systems. The above is due to the settlement and judgment of April 7, 2019 according to which Mei Carmel's demand for payment of the water pipeline installation levy was revoked, reserving the right of Mei Carmel to issue a demand for payment based on the construction fee method.	The Company and the subsidiaries believe, based on the assessment of their legal counsel, the demands have no legal grounds, and the chances that the companies will be required to bear costs in respect of the said demands are lower than 50%. Therefore, no provision was included in the Financial Statements in respect of this matter.
The Haifa Municipality v. the Company and the subsidiaries	Letters of demand (12/2025)	Approx. NIS 99 million (approx. USD 31 million as at report date)	On December 28, 2025, the Company received updated municipal property tax assessments for 2025, which were resubmitted by the municipality (as in February 2025, revised assessments were received and in April 2025, an interim arrangement was signed between the Bazan Group and the Haifa Municipality, which canceled the revised assessments and stipulated that during 2025, the parties will work to hold a discussion regarding the amount of municipal property tax payments for 2025 and onwards) in relation to the premises of the Company and its subsidiaries in the Bazan compound in Haifa Bay; and later, similar updated requirements were presented to the Company and the subsidiaries in 2026, whereby the total demand for payment in these assessments constitutes an addition to the annual total municipal property tax charges in the Bazan compound totaling approx. NIS 99 million. According to the Revised Assessments, they were prepared in accordance with a measurement for the purposes of municipal taxes conducted on behalf of the Haifa municipality.	The Company is studying the revised assessments and will defend its legal rights. On initial review, the Company disputes the revised assessments and believes it has valid grounds for a reduction of the additional municipal property tax charges and, accordingly, intends to pursue the appropriate legal actions in this matter. The Company and the subsidiaries believe, based on the opinion of their legal counsel, as this is a preliminary stage prior to filing a petition and objection and prior to receiving the municipality's response, at this stage, it is impossible to estimate the exposure in respect of the said demand.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

A. Contingent liabilities - cont.

Parties	Court	Claimed amount	Nature of the claim	Odds of the claim
2. Derivative claims				
A shareholder on behalf of the Company and the subsidiaries against current and former Company officers	Haifa District (7/2024)	Exceeds NIS 150 million (approx. USD 47 million as at the report date)	A motion filed by a shareholder to certify a claim he/she had filed as a derivative claim by the Company and its subsidiaries against the defendants, claiming that the officers breached their duties, such that they caused the Company and its subsidiaries' to breach environmental protection laws and damage, and that the officers should compensate the Company and its subsidiaries and repay them various types of compensation they were paid by the Company and its subsidiaries, at a total amount estimated by the movants to exceed NIS 150 million. On December 29, 2024, the 3 companies filed separate motions for the dismissal in limine of the motion to certify for various reasons, and also filed a joint motion (as an alternative for the motion for dismissal in limine) to delay the hearing of the motion to certify the derivative claim until a ruling is handed down in pending proceedings, in which factual and legal questions are discussed which overlap with those arising from the motion to certify. On January 22, 2025, another motion was filed for deferral of the date for submitting the responses to the motion to certify until after a ruling is handed down regarding the dismissal in limine motion and/or until after a ruling is handed down in the motion to stay the proceedings. The court has ordered that responses to these motions be submitted. On May 25, 2025, a hearing was held on the motions for summary dismissal and a stay of proceedings. On July 13, 2025, a court decision was handed down rejecting the dismissal motions and the motion for stay of proceedings. The court set a date for the submission of the respondents' responses as well as a date for the hearing of the motion to certify.	The Company and its subsidiaries believe – based on the opinion of their legal counsel, that at this early stage, it is impossible to estimate the exposure to the said motion.

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

A. Contingent liabilities - cont.

Parties	Court	Claimed amount	Nature of the claim	Odds of the claim
3. Liabilities relating to the environment				
Third party against the Company, Carmel Olefins, Gadiv and 8 other defendants	Tel Aviv District (6/2015)	Approx. NIS 14.4 billion (as at the date the claim was filed, June 2015) (approx. USD 4.5 billion as at the report date)	Claim and application for class certification due to alleged air pollution caused by the defendants in the Haifa Bay area, which resulted in a higher morbidity rate in the Haifa Bay compared to the rest of the country, and caused a higher risk of sickness and breach of autonomy. In 2024, evidentiary hearings in the case ended, and summations were filed in the proceeding by the movants. During the Reporting Period, summations were submitted by the Company, Carmel Olefins and Gadiv as well as response summaries by the movants. Subsequent to the reporting period, the Tel Aviv District Court dismissed the Certification Motion, while ruling on expenses totaling NIS 1 million in favor of the Company, Carmel Olefins, Gadiv and the other respondents. Immediately prior to the report approval date, the movants appealed the judgment with the Supreme Court.	The Company and the subsidiaries believe, based on the assessment of their legal counsel, that it is more likely than not that the motion to certify will be dismissed. Therefore, no provision was included in the Financial Statements in respect of this matter.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

A. Contingent liabilities - cont.

Parties	Court	Claimed amount	Nature of the claim	Odds of the claim
3. Liabilities relating to the environment - cont.				
Citizens for the Environment Association against 30 defendants, including the Company, Carmel Olefins, and Gadiv	Haifa District (7/2019)	--	A claim was filed along with a motion to certify the claim as a class action for allegations of air pollution in Haifa Bay and the illnesses it allegedly causes to the population in the Haifa area. In the motion, the applicant is petitioning for declaratory relief and the establishment of a mechanism for awarding compensation but does not specify the amounts of the compensation claimed or, alternatively, the splitting-up of remedies that will allow each of the class members to sue for damages in a separate proceeding. In 2023, evidentiary hearings were held and summations were filed in the proceeding by the movant. The respondents submitted summations on June 30, 2024. On November 6, 2024 the State announced that in its opinion the lawsuit should not be certified as a class action, and that it has nothing to add to the claims raised by the respondents in their summations. On December 12, 2024, the respondents and the Bazan Group respondents filed a short supplementary please statement in light of the judgment of the Supreme Court in Civil Appeal 3397/23, Glidat Strauss Ltd. v. Joubran (handed down on November 3, 2024). The applicant submitted the summations of its response on January 12, 2025. Additionally, on October 5, 2025, supplemental briefs were filed by the Applicant and by the Respondents in light of the Supreme Court judgment dated August 25, 2025, in Leave for Civil Appeal 8356/22 the Attorney General vs. Golan.	The Company and the subsidiaries believe, based on the assessment of their legal counsel, that it is more likely than not that the motion to certify will be dismissed. Therefore, no provision was included in the Financial Statements in respect of this matter.

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

A. Contingent liabilities - cont.

4. The Group companies operate regularly to comply with applicable environmental laws and regulations. As at the reporting date, in general, the Group companies are in compliance with the emission permits and with other environmental laws, other than irregular events as set out below and other than deviations for which the Group companies are working with the Ministry of Environmental Protection to adjust the provisions and/or revise the schedules for their implementation.

   The Company, Carmel Olefins, and Gadiv receive, from time to time, warnings and summons to hearings from the Ministry of Environmental Protection for alleged violations of permits and licenses which were issued to them. The companies submit their response to the Ministry, mutatis mutandis. The Ministry of Environmental Protection conducts, from time to time, various investigations against the Company, Carmel Olefins and Gadiv and/or their officers. In addition, from time to time, sanctions and/or fines are imposed on the Group companies in amounts that are immaterial to them.

   In addition, the Company, Carmel Olefins and Gadiv were negotiated with the Ministry of Environmental Protection regarding findings of soil surveys and the resulting requirements pertaining, among other things, to rehabilitation of certain land plots in the petrochemical compound. It was noted that, at this stage, the ministry will not require any actual restoration actions as long as the site is active. In this framework, a risk management plan was submitted to the Ministry, and the companies meet the requirements accordingly.

   For some of these proceedings, the managements of the Company and its subsidiaries believe, based on the opinion of their legal counsel, that, at this stage, it is impossible to assess their effect, if any, on the Group and its Financial Statements as at December 31, 2025. Provisions were not included in the Financial Statements for these proceedings, the effect of which cannot be assessed. As for the other proceedings, the Group included provisions in immaterial amounts in its Financial Statements, which it believes adequately reflect the amounts that will more likely than not be paid.

5. In addition to that set out in Sections A1-A3 above, commercial and other claims were filed against the Group companies in the ordinary course of business, each of which is not material and amount to a total of approx. USD 13 million as at December 31, 2025, less deductibles. In addition, the Company received demands from time to time, which it dismisses.

6. The Group companies include provisions in their Financial Statements for claims which their managements believe, based on the opinion of their legal counsel, are more likely than not to materialize. The provisions are based on the estimated amounts of payments required to extinguish the liability. The amount of the additional exposure, less the participation of insurers for which there is no provision, is estimated at approx. USD 61 million as at December 31, 2025 (without proceedings regarding environmental issues, for which the exposure cannot be estimated, and without the motion to certify of a class action amounting to approx. NIS 14.4 billion for air pollution, as detailed in Section A3 above).

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

B. Agreements

1. Agreements for purchase of natural gas for the Group's plants

The Group's plants are connected to the national natural gas pipeline. The Company signed a natural gas transmission agreement, from the receiving points from the natural gas reservoirs in Israel to the Company, with Israel Natural Gas Lines Ltd. (hereinafter - "INGL"), which is constructing and operating the national gas pipeline.

In addition, the Company has agreements with suppliers to purchase natural gas for the Company and the subsidiaries, as follows:

In December 2017, the Company signed an agreement for the supply of natural gas with Energean Israel Limited (hereinafter - "Energean"), which has holdings in the Karish and Tanin gas reservoirs (hereinafter - the "Gas Reservoir"); under the agreement, the Company began to purchase, during the first quarter of 2023,[1] natural gas in the quantities and for the periods agreed on for operation of the facilities of the Company and subsidiaries in Haifa Bay.

The main terms of the agreement are as follows:

A. The total quantity of gas that the Company expects to purchase from Energean is approx. 17 BCM over the entire expected supply period.

B. The supply period will commence when gas starts to flow from the gas reservoir and is expected to end when the full contractual quantity is consumed or 15 years from the date of supply of natural gas to the Company, whichever is earlier. If the entire contractual quantity is not consumed, the parties may extend the supply agreement for an additional period, subject to compliance with the terms and objectives defined in the agreement.

C. A take or pay mechanism for a minimum annual quantity of natural gas (80% of the adjusted annual amount), in accordance with the mechanism determined

D. The price of natural gas will be determined according to an agreed formula, which is generally based on linkage to an electricity generation component and includes a minimum price. The minimum price set is USD 3.975 per unit of energy.

E. The agreement includes other provisions and arrangements, which are standard in agreements for the purchase of natural gas, including in the matter of maintenance, gas quality, limitation of liability, seller collateral and in some cases buyer collateral, reassignments and liens, terms and conditions for selling excess quantities of natural gas, dispute resolution, and the operation mechanisms of the agreement.

F. The agreement includes circumstances in which each of the parties may terminate the agreement before the end of the contractual period, including in cases of prolonged non-supply and damage to collateral.

[1] It is noted that in 2023, Energean notified the Company of commercial operation from April 1, 2023.

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

B. Agreements – cont.

1. Agreements for purchase of natural gas for the Group's plants – cont.

The total financial volume of the agreement is likely to reach approx. USD 2.5 billion (assuming maximum consumption according to the agreement and according to implementation of the gas price formula as at the signing date of the agreement), and it depends mainly on the electricity generation component and the scope and rate of gas consumption.

2. Agreement for acquisition of condensate

On December 15, 2019, an agreement was signed with the partners holding the Leviathan gas reservoir (hereinafter - the "Leviathan Partners", the "Reservoir", and the "Agreement", respectively), according to which condensate from the reservoir will be piped to the pipeline of the Europe Asia Pipeline Company (hereinafter - "EAPC"), will be diluted with crude oil transported through the EAPC pipeline and piped to the Company's facilities. Under the Agreement, the condensate will be piped to the Company's facility at zero value, and the Leviathan Partners will bear all the expenses incidental to the its piping.

The Agreement is for a period of 15 years from its effective date (on January 29, 2020) and each party has the right to cancel the Agreement with prior notice of 360 days. In addition, the parties have the right to terminate the Agreement immediately if various events occur, including in respect of the Company's right in case of breach of the Agreement by the Leviathan Partnership or in the event of regulatory changes that will not allow continuation of the flow of condensate.

During the term of the agreement, the Leviathan Reservoir partners raised claims that entering into a zero-value agreement constitutes abuse of the Company's (alleged) monopsony power and that a price should be set for the condensate. These claims are rejected by the Company, and in accordance with the opinion of its legal counsel, the Company has solid defense claims against the claims of the Leviathan Reservoir partners.

In September 2022, some of the partners in the Leviathan Partnership reported that a binding agreement had been signed with Energy Infrastructures (hereinafter - "Energy Infrastructures") to pipe condensate from the reservoir using Energy Infrastructures' pipeline, and in January 2023 - they reported of the Leviathan Reservoir partners' entry into a condensate sale agreement with Paz Oil Refinery Ashdod Ltd. (hereinafter - "ORA"). According to public reports, the Flow Commencement Date was scheduled for the first quarter of 2024. On February 4, 2024, a first notice was sent to the Company on behalf of the Leviathan Partnership that the condensate flow to ORA Ltd. is expected to commence in March 2024, and as a result, the quantity of condensate supplied to the Company's facilities will be decreased significantly. On March 7, 2024, the pumping of condensate to the company was discontinued. The Company is examining realization of its legal rights in accordance with the provisions of the agreement.

It is noted that subsequent to March 7, 2024, condensate was pumped to the Company on a number of occasions for shorts periods of time, as per the request of the Leviathan Partnership, including during the reporting period.

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

B. Agreements – cont.

3. Receipt of services from infrastructure companies

A. To maintain the Company's operations, the Company is dependent on services from the infrastructure companies Energy Infrastructures and EAPC, which own crucial infrastructure for the unloading, shipping, storage, and distribution of crude oil and petroleum products, and Israel Natural Gas Lines Ltd., which owns crucial infrastructure for delivery of natural gas.

B. As part of a proceeding conducted in the Haifa Local Affairs Court in connection with Energy Infrastructures, on June 25, 2024 the court decided that in the absence of a building permit, within six months from the date of the decision Energy Infrastructures will be required to discontinue the operation of the main tankers in the Kiryat Haim tanks farm and several other buildings within nine months from the decision date. The tankers and buildings are used by Energy Infrastructures in the rendering of the services to the Company in connection with the importation, storage, and piping of crude oil. On August 18, 2024, Energy Infrastructures delivered a notice to the Company, according to which a settlement procedure was conducted and completed, as part of which Energy Infrastructures and the Haifa Municipality reached an agreed and approved memorandum of understanding, according to which Energy Infrastructures acts (hereinafter - the “Outline”); accordingly, Energy Infrastructures is of the opinion that the Outline allows for the continued use of the tanks and the required buildings in the Kiryat Haim tanks farm, such that the provision of all the services rendered to the Company by Energy Infrastructures will continue as usual. Based on Energy Infrastructures’ notice, the Company is of the opinion that it is not expected that it will be impacted to a material extent, if at all, as a result of the abovementioned resolution of the Local Affairs Court.

C. In June 2025, Energy Infrastructures published a report to its investors regarding a summons to a hearing by the Haifa Municipality due to an alleged breach of the provisions of Energy Infrastructures’ toxic materials permit in the Kiryat Haim terminal for the purpose of assessing the revocation of Energy Infrastructures’ business license. In Energy Infrastructures’ report, the latter clarified that it contests the municipality’s position, and that according to the assessment of its external legal counsel, it has good arguments against the municipality’s position. On August 2025, Energy Infrastructures published an additional report, according to which on August 10, 2025, it received a summary of a meeting which took place instead of the hearing, with the participation of various parties, including representatives of the Haifa Municipality, the Ministry of Energy and Infrastructures, and Energy Infrastructures; in the meeting, the parties agreed, among other things, that the Haifa Municipality shall promote the issuance of permits for Energy Infrastructures - both for the installation of an air pollution monitoring system around the facility (hereinafter - the “Monitoring System”) and for the demolition and cleanup of the northern row of tanks in the facility, and that Energy Infrastructures will work to advance and build the Monitoring System. In this context, it is noted that should Energy Infrastructures cease providing services to the Company, the Company's operations may be materially adversely affected.

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

B. Commitments – cont.

4. Inventory availability agreement

In March 2025, the Company entered into an inventory availability agreement (hereinafter - the “Agreement") for the availability of feedstock inventory, mainly crude oil (hereinafter - "crude oil"), with an international company (hereinafter - the “Party B”), after the previous agreement (of November 2019) terminated in October 2024 (hereinafter - the “Previous Availability Agreement”). The agreement entered into effect on April 1, 2025.

The main terms of the agreement are as follows:

A. The Company will have available access, over 4 years (hereinafter - the “Agreement Period") to up to 1.5 million barrels (approx. 205 thousand tons) of different types of Crude Oil, owned by the Second Party, by way of exchange with the same quantity of different types of Crude Oil owned by the Company at that date or within short periods as set out in the Agreement.

B. The Company will pay the Second Party periodic payments (hereinafter - the “Availability Fees") for its undertakings in the agreement. The Availability Fees will be recognized as an operating expense in the statement of income over the Agreement Period and will total an amount that is immaterial to the Company's operating results.

C. To fulfill its obligations under the Agreement, the Second Party will hold the Crude Oil in storage in the facilities of an infrastructure supplier, or under certain conditions, in tankers during shipping, and it will have the option of storing inventory of up to 750,000 barrels on the Company's premises, under the terms of the storage agreement with the infrastructure supplier and the availability and storage agreements with the Company.

D. Under the Agreement, the Company granted the Second Party a put option, whereby the Second Party may sell to the Company, at the end of the new Agreement Period (at the end of March 2029), crude oil as set out in the Agreement (up to 1.5 million barrels) at the market price of crude oil at the end of the Agreement Period.

E. Each party may terminate the Agreement before the end of the Agreement Period, under certain circumstances. If the Company terminates the Agreement before the end of the Agreement Period, it may be required to pay cancellation fees as set out in the Agreement.

F. The Agreement allows the Company to reduce, over the agreement period, quantities in its crude oil inventory compared to the quantities that it would have held in the absence of an inventory availability transaction, and consequently it is able to optimally manage its operating inventory, benefit from the financial advantages arising from a smaller inventory of 1.5 million barrels and diversify its financing sources.

Since the Second Party bears the material yields and risks relating to ownership of the inventory relevant to the Agreement, and controls the inventory, this inventory is not recognized in the Company's Financial Statements but is accounted for as contract performance (an off-balance sheet agreement).

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

B. Commitments – cont.

4. Inventory availability agreement – cont.

In this context, it is noted that in April 2025 the Company paid approx. USD 128 million in respect of the purchase of the inventory, which is the subject matter of the previous availability agreement, which expired at the end of October 2024 (following the exercise of the put option by Party B), plus a total of approx. USD 1 million in respect of payment deferral.

For details regarding the termination of the hedging transactions attributed to the purchase of (basic) inventory at the end of the availability transaction and regarding the volume of (basic) inventory, which is not hedged by the Company through futures, see Note 29D3.

5. Power purchase agreement (PPA)

On May 23, 2023, the Company and OPC Rotem Ltd. (hereinafter - "OPC") signed PPAs for Bazan Group's facilities in the Haifa Bay (hereinafter - the "Agreement"). The Agreement term is ten years, starting from July 2023, subject to early termination causes and gradual exit points starting 5 years of the supply start date, in accordance with the provisions set forth in the Agreement. The Agreement includes other common provisions for power purchase agreements, including on consumption beyond the maximum, the OPC power plant's capacity undertaking, the ancillary payments OPC is entitled to, and power supply from various sources, including from renewable energy for consumption by a subsidiary of the Company as at 2025. According to the Company's estimate, immediately prior to the signing date as stated above, the total cost to purchase power under the Agreement is approx. NIS 250 million per year.

6. Investment to acquire interests in US energy corporation Cantium

On July 31, 2025 the Company entered into binding investment agreements – through Energil LLC, a wholly owned US special-purpose entity (hereinafter – "Energil") – with Cantium Management LLC and the corporations under its control (hereinafter – "Cantium" and the "Transaction," respectively). The Transaction was completed on August 1, 2025. Cantium is a US-based private corporation operating in the field of production and operation for shallow water oil and gas assets in the Gulf of America, US.

The Company's investment is made through an investment in a special-purpose American partnership, Cantium Energy LP (hereinafter – the "Acquisition Partnership" or the "Cantium Partnership"), which was established for the purpose of acquiring a full (100%) ownership stake in Cantium. The Acquisition Partnership is managed by the general partner, Community SPV GP LP (hereinafter – the **"General Partner")**.[2] The Company (through Energil) invested a total of USD 100 million in the Acquisition Partnership, providing it with a rate of approx. 52% of the equity interests in the Acquisition Partnership, along with additional rights granted by virtue of being a strategic investor.

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[2] Mr. Jeremy Blank, an interested party in the Company, is the controlling shareholder of CF's General Partner and its Chief Investment Officer. In addition, Mr. Ariel Sternberg, a Company director, is a partner in a CF subsidiary, and did not participate in the deliberations on approving this Transaction. Due to Mr. Sternberg's role, the Transaction was also approved by the Company's Audit Committee, prior to its approval by the Board of Directors. The entry into the Transaction was approved by the Company's Audit Committee and Board of Directors on July 31, 2025.

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

B. Commitments – cont.

6. Investment to acquire interests in US energy corporation Cantium – cont.

The Transaction price was set according to a USD 275 million enterprise value for Cantium. As at the Transaction date, Cantium's net debt (gross debt net of cash and cash equivalents) totals approx. USD 20 million. The total consideration paid by the Acquisition Partnership for the full ownership (100%) in Cantium is USD 257 million (including an immaterial amount in respect of the transaction completion costs), and was financed through a combination of equity and debt, as follows:

Equity capital: Approx. USD 192 million, including the Company's USD 100 million investment; approx. USD 79 million from Community Fund (hereinafter – "**CF**") investment[3] as well as from the investment made by Cantium's management and employees, at an aggregated total of approx. USD 13 million.

Debt: Cantium's additional bank debt totaling approx. USD 65 million.

To the best of the Company's knowledge, no material taxes or levies arising from the investment itself are expected.

The investment outline sets out the Company's unique rights, mainly including the right to appoint one director and one observer in Cantium's board of directors, which shall initially consist of 5 members (this right shall be retained as long as the Company holds at least 20% of the rights in the Acquisition Partnership); additional rights intended to guarantee the Company's strategic involvement in investing and safeguarding its economic interests; as well as the customary rights in such investments, including the sale tag-along right.

As is the custom in such transactions, the General Partner will be entitled to regular management fees, as well as performance fees, which will be payable after the limited partners (including the Company) fully recoup their investment, plus an annual return at the agreed-upon rate between the parties.

This investment will be accounted for using the equity method.

7. For details about agreements with crude oil suppliers for extension of credit days, see Note 15A.

8. For details about factoring agreements, see Note 6.

9. For details about lease agreements, see Note 12.

10. For details about agreements with banks and about the deeds of trust issued by the Company, see Notes 13 and 14.

11. For details about transactions and agreements with employees of Group companies, see Note 18A.

12. For details about transactions and agreements with related parties, see Note 27.

[3] See Footnote 2 above.

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

C. Government resolution

On October 25, 2020, the government decided to establish an inter-ministerial directors committee to discuss the development and promotion of Haifa Bay, headed by a representative of the Prime Minister's office (hereinafter - the "Committee"). In accordance with the government resolution, the Committee will discuss, among other things, the future of heavy industry, with emphasis on the petrochemical industry in Haifa Bay; energy infrastructure in Haifa Bay and its impact on the future national energy market; housing requirements and urban development in the Haifa metropolitan area; economic and regional development; increasing productivity and encouraging investment; future employment requirements in the Haifa metropolitan area; risks from hazardous materials; air pollution, land rehabilitation, and other environmental aspects in Haifa Bay.

On June 7, 2021, the Committee's report was published. Following on the decision dated October 25, 2020 and the Committee's report dated June 7, 2021 as stated above; on March 6, 2022 a government resolution was made regarding a strategy for the development and advancement of Haifa Bay (hereinafter - the "Decision"). The main points of the decision are as follows:

1. Promotion of a strategy for the development and advancement of the Haifa Bay area as specified in the decision, as well as the appropriate preparation of the energy sector aimed at bringing the oil refining and the petrochemical industry's activities to an end in Haifa Bay, finding alternative solutions, in order to meet the needs of the energy market to ensure functional continuity, and following the global trend to reduce the use of fossil fuels, including LPG, and move to renewable energies.

The purpose of this strategy is to lead to significant urban development, which has the potential to change the character of the entire region from heavy industry to an area that combines housing, employment, clean industry and green spaces, all in an effort to meet the schedules recommended by the Directors Committee (as stated in the explanation of the decision - closing within a decade).

2. Establishment of a team to negotiate a framework for the cessation of the petrochemical and chemical industry activity in Haifa Bay:

A. The Governmental team, composed as set out in the decision (hereinafter - the "Negotiating Team"), will be entrusted with negotiating with the Company and with other relevant companies, in order to bring about a cessation of the petrochemical and chemical industry activity in Haifa Bay as specified in the decision, while maintaining energy security and the regular supply of fuel to the economy. In this regard, it is clarified that any decision-making on behalf of the State is subject to finding a budgetary source and approving it in a government resolution. Moreover, it is clarified that if these negotiations are unsuccessful, this does not derogate from the state's authority on any matter, and the provisions of this section cannot derogate from the powers of the government, ministers, or any other entity under the law, nor restrict their discretion on any matter or issue.

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

C. Government resolution – cont.

2. cont.

B. The Negotiating Team will periodically update a team that will be defined pursuant to a decision led by the Director General of the Prime Minister’s Office and the Director General of the Alternate Prime Minister’s Office regarding the progress of the negotiations. To the extent that disputes arise, they will be brought to the decision of the Director General of the Prime Minister's Office, the Director General of the Alternate Prime Minister's Office and the Director General of the Ministry of Finance.

C. After completion of the negotiations, as stated in Sections A and B above, the Commissioner for Budgets in the Ministry of Finance, after consultation with the relevant ministries and government entities, will be charged with offering funding sources for the project detailed in the decision. In the event of budgetary costs, every budgetary expense will be presented to the government for approval.

3. Preparations of the energy sector for cessation of operations of the petrochemical industry in Haifa Bay and new plans for the bay area:

A. The Israel Lands Administration and the Planning Administration, in consultation with the ministries set forth in the decision, will be charged with the planning for the Haifa Bay area as specified in the decision. The plan will provide a planning solution for the preparations of the energy sector and the preparations of the port at the bay, in order to ensure full operational continuity on the national level. The planning will be promoted in coordination with government representatives on the negotiating team. To clarify, this does not prejudice the authorized planning institution’s independent judgment.

B. It should be clarified that the termination of the petrochemical industry’s activity is conditional on ensuring the functional continuity of the energy sector, and in particular on their full functioning, under any law, of the facilities, including the emergency storage facilities, as described in Appendix A attached to the decision (derived from Chapter 3 to the Committee’s report).

C. Five years prior to the date to be determined in the negotiations for the cessation of petrochemical activity, the Minister of Energy will examine the compliance with the conditions regarding the functional continuity of the energy sector and the feasibility of the cessation of petrochemical activity on the stated date. In the event that the Minister believes that the date for cessation of petrochemical activity should be changed, she will submit her recommendation to the government to be decided. The Minister will conduct another examination six months prior to the set date, as stated, for the cessation of petrochemical activity.

D. Five years before the petrochemical activity is discontinued, the Director General of the Ministry of Energy will be charged with presenting to the Ministerial Committee on Social and Economic Affairs (hereinafter - the “Economic-Social Cabinet”) an updated consumption forecast for distillates in the Israeli economy taking into consideration the government resolutions regarding the targets for greenhouse gas emissions. To the extent that the Israeli economy’s expected consumption of distillates has decreased compared to the forecasts stated in the conclusions of the Committee's report, the amount of distillates required in storage will be reduced accordingly.

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

C. Government resolution – cont.

4. Economic development of Haifa Bay:

A. The parties determined in the decision will be required to act as much as possible in coordination with the negotiating team, for the reduction of the area occupied by the tank farms of Energy Infrastructures as soon as possible and even before the cessation of petrochemical activity in the Company's complex and to the extent possible until 2026. This is for the restoration of the land and the establishment of a neighborhood with mixed uses, including residential, commercial, employment and tourism in the areas that will be evacuated, while addressing the storage needs for the crude oil required for refining in the Company.

A. Decreasing the active storage capabilities at the tank farm, including full evacuation of the farm, prior to cessation of the petrochemical activity, will be implemented subject to operation of crude oil storage alternatives that will be integrated as part of the negotiations to be conducted with the Company and with Energy Infrastructures, as stated in Section 2 above.

5. Import of petroleum distillates and LPG:

A. The Minister of Transportation and Road Safety will be charged with ordering the Israel Ports Company to promote, among other things, the construction of a new terminal for the unloading of imported distillates in the Haifa Bay port area for the ongoing needs for distillates in northern Israel and as backup for the activity of the other fuel ports in Israel during non-routine times, and regulation of the chemical terminal for the energy sector’s needs. As part of the plan, the possibility of importing LPG will be considered, and any other need of the energy sector. Furthermore, the Israel Ports company should be asked to consider issuing a tender for the construction of the new distillation port, pursuant to the relevant provisions, which will incentivize early construction as much as possible.

B. The Ministry of Transport and Road Safety should be directed to contact Israel Ports with a request to include the establishment and operation of a new distillation terminal and pier at the Haifa Bay port in Israel Ports’ development plan, if possible by 2028.

C. The Minister of Transport and Road Safety should be directed to order that Israel Ports cease its existing operations at the current distillates terminal in Haifa and the fuel tank farm at the 20 Acres complex, within 90 days of the beginning of operations at the new distillates terminal.

D. A team should be formed, headed by the Ministry of Transport and Road Safety, the Budget Division, and the Accountant General at the Ministry of Finance, and consulting with the Ministry of Energy and in conjunction with Israel Ports, which will recommend the qualification conditions for the operator who will operate the new distilleries terminal. The team will submit its recommendations to the Minister of Transport and Road Safety and to the Finance Minister within 60 days.

E. The Ministries of Transportation and Finance will be instructed to apply to the Inter-Ministerial Prices Committee to examine the need for setting supervised prices for filling and storage services for fuels and their products.

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

C. Government resolution – cont.

6. Storage and import of LPG outside of the Haifa Bay area:

The Minister of Transport and Road Safety, in cooperation with the Planning Administration and the Ministry of Energy, will be charged with examining and planning the construction of buildings maritime (or maritime-linked) port structures for the import and export of ordinary LPG and olefin LPG in the Ashdod port area. If it is decided to promote the plan, it will be submitted to the authorized planning institution.

7. Reducing the use of LPG in the economy:

A team should be formed, headed by the Director General of the Ministry of Energy and with the participation of representatives of the ministries set forth in the decision, which will form a plan to minimize the use of LPG in the residential sector, commercial-business sector, and the industrial sector. This is based on electrification technologies and clean technologies. The team will submit its conclusions to the Economic-Social Cabinet for approval within 180 days.

8. Restoration of contaminated land in Haifa Bay:

A. Any operation to demolish facilities and infrastructures containing hazardous substances, including fuels and distillates included in the plan, whether above-ground or underground, and restoration of contaminated land, will be performed pursuant to the professional guidelines of the Ministry of Environmental Protection and in coordination with it and with the Negotiating Team prior to its execution.

B. It should be clarified that a decision to act for the treatment of the sites mentioned in the decision does not detract from the responsibility of the parties or of third parties who managed, operated and used these sites, directly or indirectly, among other things under the laws of environmental protection and in accordance with the principle "the polluter pays”. Furthermore, this decision does not constitute a waiver of any of the state’s rights, including the right to demand indemnification and reimbursement of expenses in respect of operations that are performed by virtue of this decision, or regarding any existing or future demand by third parties that is connected directly or indirectly to the use of land for pollution-causing purposes.

Although the Company does not agree with everything stated in the decision regarding it, the Company is negotiating with the government, among other things, regarding various alternatives with respect to the implementation of the government decision, taking into account the importance of the Company's activity to the Israeli energy market during peacetime and all the more so during states of emergency. The Company will stand up for its rights and for the rights of its stakeholders, including employees, suppliers and customers, debtors, and shareholders.

The Company has reservations about how the state is negotiating, and it has clarified its position several times to the state’s representatives during the negotiations. Due to the complex negotiation process and the conduct of the state representatives, the Company's management is unable to assess their completion date and reaching agreements, if any. In light of the State's conduct as aforesaid, the Company is reviewing the legal options available to it for preserving and protecting its rights.

NOTE 20 - CONTINGENT LIABILITIES, AGREEMENTS AND OTHER DEVELOPMENTS AND EVENTS - cont.

C. Government resolution – cont.

Following on Section 3A above, as from 2022, the National Planning and Building Council is discussing the authorization of NOP 75 for the Haifa Bay area, intended, among other things, to develop the Haifa Bay, while rezoning the areas and clearing the petrochemical industries from them, including the Group's operations. On September 19, 2023, after discussing the comments of the district committees that were submitted to the National Planning and Building Council, the latter decided to approve the draft NOP 75 subject to making changes to the wording and forwarding it to the government for approval. On December 11, 2023, the plan was approved by the Ministerial Committee for Interior Affairs, Services, Planning and Local Government, and on January 16, 2024, the plan was published for approval in the Official Gazette, and a revised and final version of the plan was posted on the Planning Administration's website. It should be emphasized that NOP 75 does not specify a date on which the Group’s activity is to be discontinued.

Subsequent to the approval of NOP 75, several meetings of the editors’ committee were held regarding the development of the Haifa Bay, from which it emerges that the NOP area was divided into 4 detailed planning sections; at the meeting held on December 19, 2024, the editors' committee decided to adopt the layout of the roads and land designations presented in the discussion as a basis for conducting detailed planning in the amendments and clarifications specified in the decision, and, among other things, it was stipulated that an individual work meeting would be held to discuss steps to be taken under Sections 77 and 78 to the Planning and Construction Law regarding the imposition of building restrictions.

In addition, further to Section 8 above regarding the restoration of contaminated land in the Haifa Bay, and the “polluter pays” principle included in the decision, the Company has significant reservations regarding the application of the said principle, including with regard to the nature, scope and timing of such restoration. It should be noted that this issue is unprecedented, and its circumstances are unique; therefore, there is a material difficulty in resolving it. Moreover, Company’s management and the professional advisors are of the opinion that in view of the issue’s complexity, and so long as the facilities operate properly, it is impossible to reliably estimate the cost of land restoration.

As a result, as at the report approval date, the Company’s management is unable to assess the implications of the Government Resolution, its implementation and its derivatives, including its impact on its activities, business, and/or financial results.

The Company's management believes that the decision does not change the assumptions and estimates underlying the Financial Statements, inter alia since the Company's position is that it will be entitled to appropriate indemnification from the state if its rights are infringed.

NOTE 21 - EQUITY

A. Share capital

The Company has ordinary share capital.

	December 31, 2025	December 31, 2024	December 31, 2023
		NIS million p.v.	
Authorized share capital	4,000	4,000	4,000
Share capital listed for trading	3,111	3,107	3,145
Shares purchased by the Company (1)	110	110	72
Issued and paid up share capital	3,221	3,217	3,217

(1) For details, see Section C.

B. Capital reserve for share-based payment

1. Description of the plans

A. On July 18, 2024, the Company's Board of Directors approved (after approval by the Company's Compensation Committee) a plan for the allocation of options and restricted share units and an outline for the allocation of 60 million options to Group employees and managers and 20 million restricted share units to Group employees and managers (hereinafter - the "Securities"). The Securities which will be allocated as part of the plan are without consideration, non-marketable and each security entitles the offeree the right to receive from the Company one ordinary share of NIS 1 par value of the Company, in accordance with the plan and subject to certain adjustments set out in the plan. The exercise shares underlying the securities will be registered for trade on the TASE, and from the allocation date will bear equal rights, for all intents and purposes, to the ordinary shares of NIS 1 par value in the Company's share capital. When exercising the options, the offerees will not be allocated all the underlying shares, but rather only the number of shares reflecting the amount of the financial benefit inherent therein (net exercise mechanism - "cashless exercise"). Regarding the exercise premium and vesting terms, see Section 2 below. In the event of termination of the offeree's service, his/her right to exercise the options will be restricted to those options to which the offeree's right was established prior to termination of employment or service, and will be exercisable at the later of: During the 180 day period following the date of termination of employment or service or of the lockup period date, in accordance with the tax laws (but in any event, no later than the expiry date of the options). All the other options allocated to the offeree will expire on the date his/her employment or service ends. Restricted share units which have not yet vested on the date the offeree's employment or service ends will expire and be cancelled immediately.

B. The key terms and conditions of the Company's 2007 plan for the allocation of Company options are similar to those described in Section A above.

C. The plan allow for the allocation of securities in accordance with Section 102 to the Income Tax Ordinance, which, among other things, is a tax track according to which the Securities will be deposited with a trustee for a period of at least two years after their grant date. Most securities were allocated to the equity track and recipients thereof shall pay the tax which will arise from the benefit in accordance with the provisions of Section 102 to the Income Tax Ordinance.

NOTE 21 - EQUITY - cont.

B. Capital reserve for share-based payment - cont.

2. Terms and conditions for granting option warrants and additional data

The table below summarizes the terms for allocating the Company's options in 2023-2025, and the information used to determine the fair value of the benefit:

Year in which options were granted	No. of instruments (in million) [(1)]	Average interest rate [(2)]	Expected volatility	Exercise premium at the grant date [(3)]	The share price used as a basis for pricing the option [(4)]	Total fair value of total options at the grant date
		%		NIS		NIS millions
2023	13.5	1.06	35.3-48.4	1.114	1.010	3
2023	5.0	0.72-0.8	38.3-47.2	1.329	1.209	2
2024	5.0	4.32-4.39	32.02-35.75	1.300	1.080	1
2024	42.5	4.28-4.36	32.46-34.49	1.020	0.950	11
2024	3.0	4.38-4.44	33.3-34.0	1.020	0.942	1

(1) In general, the options allocated until 2023 will vest over three years as from the effective date, in three equal lots at the end of each year for three years. Option warrants that were allocated in 2024 will vest over three years from the effective date, in nine tranches; a third of the options will vest one year after allocation and the remaining options will be divided into 8 equal tranches, which will vest gradually at the end of each quarter.

(2) The risk-free interest rate was determined on the basis of the yield to maturity of nominal shekel government bonds (in 2023 - based on CPI-linked shekel government bonds), with the time to maturity being equal to the expected lifespan of the options.

(3) The exercise premium will be adjusted in accordance with the terms of the option warrants plan, including with respect to dividend distribution. Furthermore, for option warrants allocated until 2023, linkage differences will be added to the index.

(4) The share price used as a basis for pricing the option was derived from the market price of the share. For fair value measurement, see Note 4D.

(5) The life of the options was determined on the basis of management estimates regarding the period that the employees will hold the options and is mostly 3-4 years from the allocation date of each of the tranches.

3. Details of option warrant awards

A. In 2024 and 2023, 36.5 million, 36.5 million and 5 million options, respectively, were allocated to officers and CEO subordinates who are not detailed below.

B. On August 13, 2021, Mr. Moshe Kaplinsky - who was appointed as the Company’s Chairman of the Board, as detailed in Note 27B3b - was allocated 15 million new option warrants under the terms and conditions detailed in the Company’s option plan of 2007. At the same time, 9 million options allocated to Mr. Kaplinsky in respect of his service as the Company’s CEO, and which have not yet vested, were canceled. In 2023, Mr. Kaplinsky exercised 10 million options for Company shares. In 2025, Mr. Kaplinsky exercised 5 million options for Company shares.

On August 27, 2024, the Company's General Meeting approved (after approval by the Company's Compensation Committee and Board) the allocation of 9 million options to Mr. Kaplinsky, under the conditions detailed in the Company's 2024 option plan as stated in Section B1b above.

NOTE 21 - EQUITY - cont.

B. Capital reserve for share-based payment - cont.

3. Details of option warrant awards - cont.

C. On March 28, 2023, the Company's general meeting approved (subsequent to approval by the Compensation Committee and the Company's Board of Directors) the employment terms of Mr. Asaf Almagor, who served as Company CEO from December 1, 2022 to January 29, 2026, as specified in Note 27B3c, including an allocation of 13.5 million options at the terms set forth in the Company's 2007 options plan. In 2025, Mr. Almagor exercised all options granted to him for Company shares.

D. On April 21, 2024, the Company's General Meeting approved (after approval by the Company's Compensation Committee and Board) the allocation of options to five Company directors. Each director will be entitled to 333,333 options per year (1,000,000 options over a term of office of 3 years), in accordance with the terms and conditions detailed in the Company's 2007 option plan. Upon the termination of a director's term of office during the reporting period, approx. 1 million option warrants allocated to him expired and accordingly the expenditure in respect of the unvested option warrants was reversed.

E. On January 8, 2026, the Company's general meeting approved (subsequent to approval by the Compensation Committee and the Company's Board of Directors) the employment terms of Mr. Rafael Maman, Company CEO, as at January 29, 2026, as specified in Note 27B3d, including an allocation of 13.274 million options at the terms set forth in the Company's 2024 options plan.

4. Allocated options

	For the year ended December 31					
	2025		2024		2023	
	No. of options (in millions)	Weighted average of exercise price in NIS (1)	No. of options (in millions)	Weighted average of exercise price in NIS (1)	No. of options (in millions)	Weighted average of exercise price in NIS (1)
At the beginning of the year	74.5	1.09	26.5	1.16	34.5	1.10
Expired or forfeited during the year	(1.0)	1.30	(2.5)	1.02	(3.0)	1.91
Exercised during the year (2)	(25.0)	1.15	-	-	(23.5)	1.00
Allocated during the year	-	-	50.5	1.05	18.5	1.17
At the end of the year	**48.5**	**1.05**	**74.5**	**1.09**	**26.5**	**1.16**

(1) As at the grant date.

(2) In 2023, this includes 13.5 million option warrants exercised by a former company CEO who completed his tenure in 2022.

(3) As at the reporting date, there are 21.3 million exercisable options.

5. Allocated restricted share units

On April 8, 2025, the Company's Board of Directors approved an allocation of up to 10 million restricted share units (of which 7.38 million RSUs were effectively granted) to employees, officers and non-executive managers, under the conditions detailed in the Company's securities allocation plan of 2024. The weighted-average grant-date fair value of the restricted shares was NIS 0.912.

NOTE 21 - EQUITY – cont.

B. Capital reserve for share-based payment - cont.

6. Total salary expenses recognized in the income statement for share-based payment transactions (warrants and restricted share units) in 2025 is approx. USD 3 million and in each of the years 2023-2024 - approx. USD 1 million.

C. Dividends

1. On November 7, 2021, the Company's Board of Directors approved the adoption of a dividend policy that will apply as from the 2021 financial statements and thereafter; under the policy, the Company will distribute to its shareholders a dividend of up to 50% of annual net income as per the Company's audited Consolidated Annual Financial Statements for the previous year, provided that the following financial condition is met:

The financial covenants: The ratio between the net financial debt[4] plus the dividend amount and the consolidated adjusted EBITDA[5] published in the Company's Report of the Board of Directors attached to the audited Consolidated Financial Statements according to which the distribution is made, is lower than 2.2.

On March 11, 2025, the Company's Board of Directors approved a dividend policy which will apply to the Financial Statements for 2024 and thereafter, whereby the Company will distribute to its shareholders a dividend according to the audited annual consolidated financial statements for the past year at the following rates: (a) A dividend of up to 50% of the annual net income as long as the financial covenant (as defined above) ranges from 1.8 to 2.2; (b) A higher dividend of up to 75% of the annual net income as long as the financial covenant (as defined above) is lower than 1.8.

A decision to distribute a dividend is subject to the provisions of any law, including the distribution criteria as per the Companies Law, and to the distribution restrictions applicable to the Company under the deeds of trust for debentures and agreements with Lenders and credit providers. The Company's Board of Directors will have the power to decide distribution dates and amounts, taking into account the Company's liabilities, liquidity and business plans, including a potential change to distribution dates or amounts.

The dividend distribution policy does not detract from the Board of Directors' power in connection with the actual dividend distribution, including the amount, timing and manner of the distribution, its power to change the dividend distribution policy, as it deems fit from time to time, and no undertaking is made to the Company's shareholders and/or any other third party as to the dividend distribution's amounts and dates and/or as to the dividend distribution itself.

[4] Net financial debt - the amount of: (1) short term borrowings; plus (2) liabilities to banks and debentures - presented at adjusted par value (including current maturities, excluding interest payable); net of (3) cash and cash equivalents and short-term deposits; plus or net of (4) hedges on debentures - presented at adjusted par value (without interest receivable/payable), net of or plus the relating deposits.
[5] As defined in Note 28A below.

NOTE 21 - EQUITY – cont.

C. Dividends – cont.

2. The following are details regarding declared dividends:

Date of approval by the Board of Directors	Payment date	Total dividend distributed In USD millions	Dividend per share In USD
March 8, 2023 (ex-dividend date: March 21, 2023)	March 29, 2023	200	0.06237
August 16, 2023 (ex-dividend date: August 27, 2023)	September 7, 2023	50	0.01576
March 13, 2024 (ex-dividend date: March 21, 2024)	April 1, 2024	144	0.04592
August 25, 2024 (ex-dividend date: September 4, 2024)	September 19, 2024	30	0.00960
March 11, 2025 (ex-dividend date: March 19, 2025)	April 10, 2025	50	0.01608

Subsequent to the reporting period, on March 25, 2026, the Company's Board of Directors approved a dividend distribution of US 35 million.

3. The following are details regarding approved buyback plans:

Date of approval by the Board of Directors	The ceiling of the approved plan in USD millions	Utilization of the plan as at the Report date in USD millions	Plan status as at the report date	No. of ordinary shares acquired, in millions
March 8, 2023	20	20	Completed	65
November 26, 2023	10	8	Completed	25
August 25, 2024	5	5	Completed	20

D. Shelf prospectus

As at the report approval date, the Company’s shelf prospectus is valid until November 11, 2026.

NOTE 22 - REVENUES

	For the year ended December 31		
	2025	2024	2023
Sales in Israel	4,247	4,936	5,226
Sales in other countries	1,587	2,597	3,086
	5,834	**7,533**	**8,312**
Supply of services to foreign entities and other revenues	7	9	12
	5,841	**7,542**	**8,324**

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 23 - COST OF SALES

	For the year ended December 31		
	2025	2024	2023
Materials consumed (1) (2)	5,045	6,599	7,053
Salary and incidentals	176	170	173
Changes in inventory derivatives and margins	(9)	(10)	(32)
Depreciation and amortization	203	180	170
Other production expenses (3)	169	170	169
Decrease in product inventory (4)	87	3	27
	5,671	**7,112**	**7,560**

(1) In 2025 and 2024 and 2023 - includes approx. USD 8 million, approx. USD 25 million and approx. USD 64 million, respectively, in respect of realization of futures hedging refining margins entered into by the Company. For further details, see Note 29D3c.

(2) In 2024 - includes revenue of approx. USD 35 million with respect to termination of hedging transactions regarding inventory realized during the fourth quarter of 2024. For further details, see Note 29D3b.

(3) In each of the years 2023-2025, the Company recognized expenses in profit and loss for profit-dependent lease payments amounting to approx. USD 12 million. For further details, see Note 12B.

(4) For details regarding inventory impairment loss, see Note 8.

NOTE 24 - SELLING AND MARKETING AND ADMINISTRATIVE AND GENERAL EXPENSES

A. Selling and marketing expenses

	For the year ended December 31		
	2025	2024	2023
Salary and incidentals	8	8	8
Transportation and storage	98	131	107
Other	4	6	8
	110	**145**	**123**

B. General and administrative expenses

	For the year ended December 31		
	2025	2024	2023
Salary and incidentals	31	30	31
Communication and data processing	12	12	10
Professional and legal services	8	8	8
Depreciation and amortization	3	2	3
Doubtful and bad debts	1	–	–
Others	11	12	9
	66	**64**	**61**

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 25 - OTHER EXPENSES (INCOME), NET

	For the year ended December 31		
	2025	2024	2023
Early retirement expenses [1]	4	6	6
Income from lump-sum payment of retirement benefits [2]	(7)	–	–
Impairment loss of a cash-generating unit [3]	8	–	–
One-off compensation in respect of a settlement agreement	–	(16)	–
Other expenses, net	3	7	1
	8	**(3)**	**7**

(1) For details regarding early retirement plans approved in 2025 and 2023, see Note 18B.
(2) See Note 18B1b3.
(3) See Note 11C.

NOTE 26 - FINANCE INCOME AND EXPENSES

	For the year ended December 31		
	2025	2024	2023
Finance income			
Interest revenues from bank deposits	13	23	27
Changes in fair value of the loan to Early Pension Haifa	1	–	–
Net change in fair value of debentures and financial derivatives	3	–	–
Net income from change in exchange rate	–	4	6
Finance income	**17**	**27**	**33**
Finance expenses			
Interest expenses for debentures	47	48	51
Interest expenses for long-term loans [1]	40	44	44
Interest expenses for short-term loans and borrowings	3	2	3
Net interest expenses for working capital items [2]	8	10	7
Net loss from change in exchange rate	11	–	–
Net change in fair value of debentures and financial derivatives	–	–	2
Finance expenses for a lease	5	5	5
Finance expenses for employee benefits (actuary)	2	3	2
Other finance expenses	3	–	2
Finance expenses	**119**	**112**	**116**
Net finance expenses recognized in profit and loss	**102**	**85**	**83**

(1) For details regarding interest rates and changes to the syndicated loan, see Note 13.
(2) In 2023-2025 - mainly includes costs for extending the credit terms of crude oil suppliers totaling approx. USD 6, 5 and 3 million, respectively. In addition, in 2024 this also includes interest payable to institutions totaling approx. USD 5 million.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 27 - RELATED AND INTERESTED PARTIES

A. Transactions and balances with interested and related parties

1. Balances with interested and related parties

	As of December 31	
	2025	2024
	Asset (liability)	
Key management personnel (including directors)		
Total balances - employee benefits (mainly in payables and employee benefits)	**(8)**	**(6)**

2. Transactions with related and interested parties

	For the year ended December 31		
	2025	2024	2023
	Revenues (expenses)		
Key management personnel (including directors)			
Operating expenses (including share-based payment)	**(11)**	**(10)**	**(12)**
Other related and interested parties			
Revenues	-	-	1
Operating expenses [(1)]	-	-	(15)
Finance expenses, net [(2)]	-	-	(1)
	-	**-**	**(15)**
Total transactions [(3)]	**(11)**	**(10)**	**(27)**

(1) In 2023 - mainly OPC Rotem Ltd. As at February 13, 2023, OPC Rotem ceased to constitute a related party of the Group. For further details, see Sections C and E.

(2) The Group engages with Bank Mizrahi Group in the ordinary course of business and under market conditions for a wide range of banking activities, including taking out long-term loans from time to time. As of February 13, 2023, the Bank Mizrahi Group ceased to constitute a related party of the Group. For further details, see Sections C and F.

(3) Transactions with interested and related parties are made during the ordinary course of business and under market conditions.

(4) Subsidiaries Carmel Olefins and Gadiv purchase most of the raw materials from the Company and therefore they are dependent on the Company.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 27 - RELATED AND INTERESTED PARTIES - cont.

B. Benefits for key management personnel (including directors)

The salary of the Company's senior executives usually includes the following components: monthly salary linked to the CPI, arrangements for actual work in some or all of the early notice period, various social benefits, including vacation, sick leave, post-employment benefits (including in some cases, increased compensation), insurance, study fund, company car and telephone. The Group's senior executives also participate in option plans for the Company's securities (see Note 21B).

The directors' fees (other than the fees paid to the Chairman of the Board of Directors) are in accordance with the maximum compensation allowed under the Compensation Regulations (Rules Concerning Compensation and Expenses for an External Director), 2000, and as at the Report approval date, all the directors have been defined as expert directors and receive an expert director's compensation in accordance with the abovementioned regulations. In addition, some of the directors also participate in the Company's option plan (see Note 21B).

1. Benefits for key management personnel (including directors), who are employed by the Group include:

	For the year ended December 31					
	2025		2024		203	
	No. of persons	Amount	No. of persons	Amount	No. of persons	Amount
Benefits without share-based payments	11	9	12	8	11	10
Share-based payments [1]	11	1	12	1	4	1
		10		9		11

(1) See Note 21B.

2. Benefits for key management personnel (including directors) in the Group, who are not employed in the Group include:

	For the year ended December 31					
	2025		2024		2023	
	No. of persons	Amount	No. of persons	Amount	No. of persons	Amount
Benefits for directors who are not employees [1] [2] [3]	9	1	9	1	9	1

(1) It should be clarified that directors who are controlling shareholders are entitled to the same benefits (including exemption, insurance and indemnification arrangements) to which the other directors are entitled.

(2) Including benefits in respect of the operations of Mr. Alex Passal at the municipal company; for further details see Note 3E.

(3) In 2024-2025, including approx. USD 0.1 million with respect to the allocation of options to five directors as detailed in Note 21B3d above.

NOTE 27 - RELATED AND INTERESTED PARTIES - cont.

B. Benefits for key management personnel (including directors) - cont.

3. Details regarding compensation for directors and key management personnel

A. On August 27, 2024, the General Meeting of the Company’s shareholders approved the Company’s compensation policy for a period of three years, as at its approval date, which includes salary and related components, and variable compensation components (such as bonuses and equity compensation), and provisions regarding insurance, indemnification and release of liability. The compensation policy is uniform for the Company and its subsidiaries. Subsequent to the reporting period, the Company's Compensation Committee and Board of Directors approved an update to the Compensation Policy in connection with the annual bonus mechanism for the Chairman of the Board, following an amended legal position published by the Israel Securities Authority, which is subject to approval by the Company's General Meeting.

B. On August 13, 2021, Mr. Moshe Kaplinsky (hereinafter - "Mr. Kaplinsky"), - who served as the Company’s CEO from June 1, 2020 until that date - was appointed as a director and the Company’s Chairman of the Board.

On August 1, 2021, (after approval by the Company’s Compensation Committee and Board of Directors), the Company’s General Meeting approved the compensation terms of Mr. Moshe Kaplinsky as the Company’s Chairman of the Board, and the allocation of options as detailed in Note 21B3B.

According to his employment agreement, Mr. Kaplinsky may serve as an officer in other entities without the Company's approval, provided that the number of hours dedicated to his service in the Company will not fall below a full-time position and that the other businesses do not infringe on his commitments under the agreement. Mr. Kaplinsky’s monthly salary is NIS 145 thousand (linked to the increase in the CPI). Mr. Kaplinsky's salary includes and takes into account all his duties and obligations to the Company and/or the subsidiaries. Mr. Kaplinsky is entitled to standard social benefits; the Company covers his expenses for the use of communications means and reimburse expenses as is standard in the Company for senior employees. The Company also provides him with a car.

NOTE 27 - RELATED AND INTERESTED PARTIES - cont.

B. Benefits for key management personnel (including directors) - cont.

3. Details regarding compensation for directors and key management personnel – cont.

B. cont.

The agreement between the Company and Mr. Kaplinsky has been signed for an indefinite period as from August 13, 2021, and it may be canceled by any of the parties with written notice of six months. In the last three months of this period, Mr. Kaplinsky will not be required to effectively work. Termination or non-renewal of Mr. Kaplinsky's service for a further term by the Company's general meeting will be considered as submission of notice of termination of the agreement. In the notice period, Mr. Kaplinsky is entitled to his full salary and incrementals paid to him in accordance with the provisions of the agreement. The Company may terminate the agreement immediately or at any time during the advance notice period, provided that, at the termination date of his employment, Mr. Kaplinsky is paid all the amounts to which he would have been entitled under the agreement, had he continued his employment in the Company throughout the notice period. Under extraordinary circumstances, the Company may terminate the agreement immediately, as is customary in agreements of this type. If employment is terminated for any reason, other than dismissal under special circumstances, Mr. Kaplinsky will be entitled to severance pay in accordance with the law.

Furthermore, Mr. Kaplinsky is entitled to a variable annual bonus based on the formula in the Company's compensation policy. The bonus cap as at December 31, 2025 is NIS 2,280 thousand.

Subsequent to the reporting period, the Company’s Board of Directors approved (after approval by the Compensation Committee), a bonus of approx. NIS 1,300 thousand to Mr. Kaplinsky for 2025 (in the reporting period, a bonus of approx. NIS 1,180 thousand was approved in respect of 2024, and in 2024 - a bonus for 2023 of approx. NIS 1,050 thousand was approved).

For details regarding the allocation of options to Mr. Kaplinsky and the exercise of options, see Note 21B3b.

C. On November 23, 2022, the Company’s Board of Directors appointed Mr. Asaf Almagor (hereinafter - “Mr. Almagor”), who served in the position of VP of the Polyolefins Corporate Unit at that time, as CEO of the Company and Chairman of the Board of the Directors of the subsidiaries, as at December 1, 2022. On November 27, 2025, Mr. Almagor announced his intention to step down from his position during 2026, and accordingly - his term of office ended on January 29, 2026 Mr. Almagor’s employment terms and option allocations as set forth below were approved by the general meeting on March 28, 2023 (following approval by the Compensation Committee and the Company’s Board of Directors).

During his employment period, Mr. Almagor is entitled to a monthly salary of NIS 172 thousand (linked to the increase in the CPI) and to related benefits as is standard in the Company for senior employees (including vacation, convalescence, deposits in a study fund on the full amount of his salary, sick leave, including the option of redeeming accrued sick leave beyond the limit set, a company car and underlying expenses, including grossing up of tax), as well as allocation of options, as detailed in Note 21B3c.

NOTE 27 - RELATED AND INTERESTED PARTIES - cont.

B. Benefits for key management personnel (including directors) - cont.

3. Details regarding compensation for directors and key management personnel – cont.

C. cont.

In addition, Mr. Almagor is entitled to the following terms and conditions: (1) Upon termination of his employment, Mr. Almagor will be entitled to a six-month advance notice period, in which he was entitled to all payments and benefits as if he continued to be employed by the Company during this period. During the last three months of this period, Mr. Almagor will not be obligated to work in practice; (2) Upon termination of his employment, Mr. Almagor will be entitled, in addition to his entitlement to severance payments by law, to an additional benefit at a rate of 50% of his last base salary, multiplied by his years of service at the Company and relative parts of years (hereinafter - “Added Severance Pay”). Entitlement to the Added Severance Pay will be accrued in a linear manner over 3 years (until full entitlement at the end of three years of service as CEO), except in the event that he is dismissed (not under circumstances that do not entitle him to severance payments), after which he will be entitled to the full Added Severance Pay amount regardless of the duration of the employment term in practice; (3) A persistency bonus which shall be calculated according to his last base salary, multiplied by his years of service at the Company, which will be accumulated as follows: 10% after one year of service as CEO and another 10% for every additional year of service as CEO until a maximum rate of 50% from the end of the fifth year; (4) a variable annual bonus pursuant to the formula established in the Company’s compensation policy. The bonus cap as at December 31, 2025 is NIS 2,280 thousand.

Upon approval of the terms of his service as Company CEO, Mr. Almagor ceased to be eligible for the retention bonus allocated to him in his position as VP of the Polyolefins Corporate Unit.

Subsequent to the reporting period, the Company’s Board of Directors approved (after approval by the Compensation Committee), a bonus of approx. NIS 1,680 thousand to Mr. Almagor for 2025 (in the reporting period, a bonus of approx. NIS 1,592 thousand was approved in respect of 2024, and in 2024 - a bonus for 2023 of approx. NIS 2,100 thousand was approved).

For details regarding the allocation of options to Mr. Almagor and the exercise of options, see Note 21B3c.

D. On December 4, 2025, the Company’s Board of Directors appointed Mr. Rafael Maman (hereinafter - “Mr. Maman”) as Chief Executive Officer of the Company and Chairman of the boards of its subsidiaries, and he commenced his tenure on January 29, 2026. Mr. Maman’s employment terms and option allocations as set forth below were approved by the general meeting on January 8, 2026 (following approval by the Compensation Committee and the Company’s Board of Directors).

Mr. Maman is entitled to a monthly salary of NIS 198 thousand (linked to the increase in the CPI) and to related benefits as is standard in the Company for senior employees (including vacation, convalescence, deposits in a study fund on the full amount of his salary, sick leave, a company car and underlying expenses, including grossing up of tax), as well as allocation of new options, as detailed in Note 21B3e.

NOTE 27 - RELATED AND INTERESTED PARTIES - cont.

B. Benefits for key management personnel (including directors) - cont.

3. Details regarding compensation for directors and key management personnel – cont.

D. cont.

Upon termination of his employment, Mr. Maman will be entitled to a six-month advance notice period, in which he will be entitled to all payments and conditions as if he continued to be employed by the Company during this period. In the last three months of this period, Mr. Maman will not be required to effectively work. In addition, Mr. Maman will be entitled to an adjustment period of four months at the end of the advance notice period.

Furthermore, Mr. Maman will be entitled to a variable annual bonus based on the formula in the Company's compensation policy. The bonus cap as at December 31, 2025 is NIS 2,280 thousand.

E. On May 2, 2023, the Company's general meeting approved the renewal of the agreement with Mr. Alex Passal (following approval by the Company’s Audit Committee and Board of Directors) for the provision of services of leading the Company’s activity with respect to services to be provided by the municipal company sharing Bazan’s premises to the Company, the development and promotion of joint projects with the local authorities, as well as promotion of the Company's communication with the residents of the cities and towns surrounding Bazan’s premises (hereinafter - the “Services”). Mr. Passal will be entitled to payments for his office as a director and for the said services of up to an average of NIS 50 thousand per month (on an annual basis). The agreement was approved for 3 years (as from January 1, 2023, provided that at the end of each year the Board of Directors approves the extension of the term of the agreement for the subsequent year) or until the termination of Mr. Passal's service as a director of the joint municipal company or termination of his service as a director in the Company, whichever is earlier. On March 13, 2024 and March 11, 2025, the Company’s Board of Directors approved the extension of the agreement with Mr. Passal for 2024 and 2025, respectively

On November 23, 2025, the Company’s Board of Directors approved (after approval by the Company’s Compensation Committee), the renewal of the service agreement with Mr. Passal, subject to approval by the Company’s general meeting, which was given on January 8, 2026. In exchange for providing the services, Mr. Passal is entitled to monthly compensation of NIS 20 thousand, in addition to the compensation he is entitled to as a director of the Company. The agreement is for a 3-year period (beginning on January 1, 2026, subject to approval by the Audit Committee and Board of Directors, at the end of each year, to extend the term of the agreement to the subsequent year) or until the termination of Mr. Passal's service as a director of the joint municipal company or termination of his service as a director of the Company, whichever is earlier.

C. Regarding Sections D-G below, as from February 13, 2023, Israel Corporation does not hold Company shares, and correspondingly, Israel Corporation and Mr. Idan Ofer are no longer Company stakeholders.

NOTE 27 - RELATED AND INTERESTED PARTIES - cont.

D. On November 15, 2017, the Company's Board of Directors approved a continuation agreement for routine transactions, which is renewable from time to time until the end of 2020 - which was extended on November 3, 2020 until the end of 2023, for maritime shipping of the Group companies' products with Zim Integrated Shipping Services Ltd. (hereinafter - "Zim"), an investee of Kenon Holdings Ltd., in which Mr. Idan Ofer, who is considered as a controlling shareholder of the Company, is a related party as at the contract approval dates. Accordingly, the transaction was discussed and approved as a transaction in which a controlling shareholder of the Company has a vested interest. The audit committee determined that such agreements do not constitute "an extraordinary transaction" as defined in the Companies Law, since this is acquisition of the Company's routine input, under standard market conditions for maritime shipping, and it is not likely to have a material effect on the Company's assets, liabilities or profits.

The audit committee resolved that the agreement will be executed after checking prices as is standard in the Company and after the approval of the relevant VP for the agreement and for the check that was performed. Once every six months, the transactions will be presented to the committee chairman and once a year the committee will discuss the mechanism and will assess whether it needs to be updated or amended and will approve the procedures before executing these agreements in the following year.

The Group’s expenses for shipping products by Zim, from January 1, 2023 until date on which it ceased to be a related party and/or interested party in the Company, amounted to approx. USD 0.3 million.

E. On August 14, 2011, the Company's Board of Directors approved an agreement to purchase electricity for the Company and subsidiaries from OPC Rotem Ltd. (hereinafter - "OPC"), a company controlled by Kenon Holdings Ltd., in which Mr. Idan Ofer, who is considered as a controlling shareholder of the Company, is a related party at the contract approval date. Accordingly, the transaction was discussed and approved as a transaction in which a controlling shareholder of the Company has a vested interest. The agreement is for 10 years as from July 2013, under terms agreed on by the parties, including a quantity that reflects all the requirements of the Company and its subsidiaries, taking into account production of electricity by the Company and a price that reflects the discount agreed on by the parties, off the regulated price of electricity set by the Israeli Electricity Authority. The audit committee determined that the agreement does not constitute "an extraordinary transaction" as defined in the Companies Law, since this is acquisition of the Company's routine input, under standard market conditions, for the acquisition of electricity from independent power producers, and it is not likely to have a material effect on the Company's assets, liabilities or profits.

The Group's expenses in respect of electricity purchase, from January 1, 2023 until date on which it ceased to be a related party and/or interested party in the Company amounted to approx. USD 13 million.

In 2023, a settlement agreement was approved pertaining to a motion filed to recognize a derivative claim regarding the abovementioned transaction; the said settlement agreement did not have material effects on the Company's results.

For details regarding the agreement to purchase electricity from OPC Rotem Ltd. dated May 23, 2023, see Note 20B5.

NOTE 27 - RELATED AND INTERESTED PARTIES - cont.

F. On February 28, 2021, the Company's Board of Directors approved the execution of engagements with Bank Mizrahi (a company controlled by a relative of Mr. Idan Ofer, who is considered the controlling shareholder of the Company as at the engagement date) for the purpose of taking long-term loans and other current engagements; the term of those engagements ends at the end of 2023. The transactions were discussed and approved as transactions in which the Company's controlling shareholder has a vested interest. The Audit Committee decided that these engagements do not constitute "extraordinary transactions" as defined in the Companies Law, since they constitute routine banking activity conducted with all banks in Israel (and with a number of foreign banks) in the Company's ordinary course of business and under standard market conditions, and they are not likely to have a material effect on the Company's profits, assets or liabilities.

Net expenses in respect of transactions with Bank Mizrahi, from January 1, 2023 until date on which it ceased to be a related party and/or interested party in the Company, amounted to approx. USD 0.7 million.

G. Regarding a settlement agreement with Haifa Chemicals Ltd., in which Mr. Idan Ofer - who is considered the Company's controlling shareholder at the time of authorizing the engagement - has a vested interest – see Note 12B4.

H. Further to the information in Note 20B6 above, during the reporting period, the Cantium Partnership recognized expenses totaling approx. USD 0.8 million in management fees to the general partner (whose controlling shareholder is an interested party in the Company) and approx. USD 0.1 million in directors' fees to the Company.

I. During the reporting period, engagements for the sale of products were carried out between the Group and corporations held by an interested party in the Company, which meet the definition of negligible transactions as detailed below.

J. Definition of negligible transactions

In the course of its business, the Company may engage in transactions with related parties and interested parties, including companies controlled by any of the controlling shareholders, primarily in purchase and selling agreements of industrial and logistics products and services that are part of the operations of the Group's plants. In general, these transactions are not material for the Company, both quantitatively and qualitatively, and they are conducted under market conditions.

Therefore, the Company's audit committee and Board of Directors determined that an interested party transaction that is not an extraordinary transaction will be deemed to be negligible under the following conditions:

1. An agreement for the purchase of products, including raw materials, materials, and equipment used for production or services, including financial services, which is for the benefit of the Company, made during the ordinary course of business of the Company's and under market conditions, with annual expenses that do not exceed 0.75% of the annual selling cost (cost of sales, refining and services) or operating expenses (selling and marketing expenses and administrative and general expenses), or finance expenses and/or finance income, as relevant (i.e., according to the classification of the expense in the Financial Statements), in the most recent annual consolidated financial statements of the Company.

NOTE 27 - RELATED AND INTERESTED PARTIES - cont.

J. Definition of negligible transactions – cont.

2. An agreement for the sale of products, including raw materials and materials used for production or services, which is for the benefit of the Company, made during the during the Company's ordinary course of business and under market conditions, with annual revenues that do not exceed 0.75% of the annual selling cost in the most recent consolidated annual financial statements published by the Company.
3. An agreement for the joint purchase of services or products from a third party, together with the controlling shareholders, with controlled companies, which is for the benefit of the Company, made during the Company's ordinary course of business and under market conditions, and the audit committee of the Company determined that distribution of the costs and expenses in the agreement is fair and equal under the circumstances, and the total annual expense for the agreement does not exceed 0.75% of the selling cost or annual operating expenses, (selling and marketing expenses and general and administrative expenses), as relevant, in the Company's most recent annual consolidated financial statements.

The Company's audit committee and Board of Directors also resolved that the market conditions in respect of these transactions will be compared to other transactions that are as similar as possible to those in which the Company engages and/or to the same type of transactions that are made in the market.

NOTE 28 - SEGMENT REPORTING

A. The Company's operating segments

As of August 1, 2025, (the transaction completion date for the acquisition of rights in the Cantium Energy Corporation in the United States, as stated in Note 20B6 above), the Group operates via three operating segments, each of which is presented in its Financial Statements as a separate reportable segment: the Refining Segment, the Polymers Segment and Investment in Oil Assets. These three reportable segments are managed separately and their results are reviewed regularly by the chief operating decision maker to allocate resources and assess performance.

Summary of the business activity in each operating segment:

1. Refining Segment

In this segment, the Group, through the Company and Gadiv, purchases crude oil and intermediate materials, refines and separates them into different products (some of which are end products and others raw materials for other products), produces aromatics, and sells the finished petroleum products, intermediate products, and aromatics to their customers in Israel (including Carmel Olefins) and abroad. In addition, the Company provides infrastructure services (storage, pumping, and distribution of petroleum products).

2. Polymers Segment

In this segment, the Group, mostly through Carmel Olefins and Ducor (in the Netherlands), manufactures polypropylene and polyethylene, which are used as the main raw materials in the plastics industry.

NOTE 28 - SEGMENT REPORTING - cont.

A. The Company's operating segments

3. Investment in Oil Asset Segment

As part of its activity in this field, via the Cantium Partnership (located in the US), the Company is engaged in the production and operation of shallow-water oil and gas assets in the Gulf of America, USA. This reportable segment is managed separately and its results are reviewed regularly by the chief operating decision maker to allocate resources and assess performance on a 100% basis. Therefore, the segment results are presented in this note on a 100% basis and the "adjustments to consolidated" column includes adjustments relating to the transition from 100% presentation to presentation in accordance with the equity method, under which the Group's share (52%) in Cantium's activity is presented under the "Company's share in the profits of associates" line item.

The "Other" segment includes the other business activities of the Group, which are not material, mainly shipping, through Trading and Shipping.

Segment results are reported to the chief operating decision maker on the basis of the reported EBITDA (gross income less selling, marketing and administrative expenses, plus revenues from loss of income insurance, plus depreciation and amortization), and in the Refining Segment, also on the basis of adjusted EBITDA (i.e., the aggregate amount of adjusted EBITDA[6] of the Fuels unit together with reported EBITDA of the Aromatics unit).

Other expenses/revenues which are not allocated to segments and are not included in EBITDA (including other expenses and revenues, such as early retirement expenses, impairment losses of assets or reversal thereof, and deducting excess cost) are reviewed by the chief operating decision maker, on a consolidated basis only.

[6] Adjusted EBITDA = reported EBITDA less the following effects: (a) the method for recognizing derivatives under IFRS; (b) buying and selling timing differences of unhedged inventory; (c) adjustment of the hedged inventory value to market value.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 28 - SEGMENT REPORTING - cont.

B. Information regarding reportable segments

	Refining	Polymers	Investment in an oil asset[(2)]	Total reportable segments	Other	Adjustments to consolidated	Consolidated
	For the year ended December 31, 2025						
Revenue from external sources – Israel	4,005	249	-	4,254	-	-	4,254
Revenue from external sources – other countries	1,212	355	150	1,717	20	(150)	1,587
Total revenues from external sources	**5,217**	**604**	**150**	**5,971**	**20**	**(150)**	**5,841**
Revenue from inter-segment sales – Israel	195	1	-	196	22	(218)	-
Segment revenues	**5,412**	**605**	**150**	**6,167**	**42**	**(368)**	**5,841**
Cost of sales (without depreciation)	**(5,061)**	**(608)**	**(51)**	**(5,720)**	**(17)**	**269**	**(5,468)**
Reported EBITDA	**365** (1)	**(29)**	**84**	**420**	**24**	**(84)**	**360**
Depreciation and amortization	**(122)**	**(47)**	**(45)**	**(214)**	**(27)**	**45**	**(196)**
Reported EBITDA less depreciation and amortization							**164**
Amortization of excess cost arising on acquisition of consolidated companies							(10)
Other expenses, net							(8)
Operating profit							**146**
Finance expenses, net							(102)
Company's share in profits of associates							16
Profit before income tax							**60**

(1) Adjusted EBITDA in the Refining Segment for 2025 - USD 412 million.

(2) For the five-month period ended December 31, 2025. Amounts are shown on a 100% basis. For further details, including the Company's effective ownership stake, see Note 9.

	Refining	Polymers	Total reportable segments	Other	Adjustments to consolidated	Consolidated
	For the year ended December 31, 2024					
Revenue from external sources – Israel	4,623	322	4,945	-	-	4,945
Revenue from external sources – other countries	2,104	484	2,588	9	-	2,597
Total revenues from external sources	**6,727**	**806**	**7,533**	**9**	**-**	**7,542**
Revenue from inter-segment sales – Israel	307	1	308	29	(337)	-
Segment revenues	**7,034**	**807**	**7,841**	**38**	**(337)**	**7,542**
Cost of sales (without depreciation)	**(6,516)**	**(740)**	**(7,256)**	**(13)**	**337**	**(6,932)**
Reported EBITDA	**370** (1)	**9**	**379**	**24**	**-**	**403**
Depreciation and amortization	**(104)**	**(48)**	**(152)**	**(19)**	**-**	**(171)**
Reported EBITDA less depreciation and amortization						**232**
Amortization of excess cost arising on acquisition of consolidated companies						(11)
Other revenues, net						3
Operating profit						**224**
Finance expenses, net						(85)
Profit before income tax						**139**

(1) Adjusted EBITDA in the Refining Segment for 2024 - USD 363 million.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 28 - SEGMENT REPORTING - cont.

B. Information regarding reportable segments - cont.

	Refining		Polymers	Total reportable segments	Other	Adjustments to consolidated	Consolidated
	For the year ended December 31, 2023						
Revenue from external sources – Israel	5,000		238	5,238	–	–	5,238
Revenue from external sources – other countries	2,515		543	3,058	28	–	3,086
Total revenues from external sources	**7,515**		**781**	**8,296**	**28**	**-**	**8,324**
Revenue from inter-segment sales - Israel	264		1	265	13	(278)	-
Segment revenues	**7,779**		**782**	**8,561**	**41**	**(278)**	**8,324**
Cost of sales (without depreciation)	**(6,911)**		**(742)**	**(7,653)**	**(16)**	**279**	**(7,390)**
Reported EBITDA	**745**	(1)	**(17)**	**728**	**24**	**1**	**753**
Depreciation and amortization	**(97)**		**(47)**	**(144)**	**(18)**	**-**	**(162)**
Reported EBITDA less depreciation and amortization							**591**
Amortization of excess cost arising on acquisition of consolidated companies							(11)
Other expenses, net							(7)
Operating profit							**573**
Finance expenses, net							(83)
Profit before income tax							**490**

(1) Adjusted EBITDA in the Refining Segment for 2023 - USD USD 719 million.

C. Entity-level disclosures

1. Information on products and services

The Group's revenue from external sources for each group of similar products and services:

Revenues from external sources	2025	%	2024	%	2023	%
Refining						
Diesel fuel	2,250	39%	2,698	36%	3,210	39%
Gasoline	1,530	26%	1,818	24%	1,941	23%
Fuel oil	321	5%	743	10%	604	8%
Kerosene	399	7%	545	7%	618	7%
Aromatics	273	5%	426	6%	465	6%
Others	444	8%	497	7%	677	8%
	5,217	**90%**	**6,727**	**90%**	**7,515**	**91%**
Polymers						
Polyethylene	131	2%	178	2%	179	2%
Polypropylene	463	8%	617	8%	594	7%
Other	10	(a)	11	(a)	8	(a)
	604	**10%**	**806**	**10%**	**781**	**9%**
Other	20	(a)	9	(a)	28	(a)
	5,841	**100%**	**7,542**	**100%**	**8,324**	**100%**

(a) Less than 1%.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 28 - SEGMENT REPORTING - cont.

C. Entity-level disclosures - cont.

2. Information on the basis of geographic regions

Most of the Group's non-current assets are located in Israel.

The Group's revenues from external entities based on geographical areas are as follows:

	For the year ended December 31		
	2025	2024	2023
Israel			
Refining	4,005	(*)4,623	(*)5,000
Polymers	249	322	238
Total	**4,254**	**4,945**	**5,238**
Asia (a)			
Refining	28	(*)307	(*)590
Polymers	–	22	99
Other	1	1	3
Total	**29**	**330**	**692**
Europe (b)			
Refining	1,046	(*)1,553	(*)1,750
Polymers	317	395	389
Other	13	7	22
Total	**1,376**	**1,955**	**2,161**
Other	**182**	**312**	**233**
Total	**5,841**	**7,542**	**8,324**

(*) Reclassified.

(a) In 2025, no sales were made to Turkey (in 2024 - 91% and in 2023 - 96%).

(b) In 2025, including sales to Cyprus of approx. 28% (in 2024 - approx. 32% and in 2023 - approx. 31%.).

3. Major customers

Group revenue from the major external customers (more than 10%) in the Refining Segment:

Revenues from external sources	For the year ended December 31					
	2025	%	2024	%	2023	%
Customer A	1,076	18%	1,237	16%	1,360	16%
Customer B	1,100	19%	1,210	16%	1,326	15%

NOTE 29 - FINANCIAL RISK MANAGEMENT

A. General

The Group has operations that expose it to credit risks, liquidity risks and market risks (including crude oil price and margin risks, foreign currency risk, interest rate risk, and other market price risks). To reduce the exposure to these risks, the Group performs various actions, in particular the use of derivative financial instruments, including forward transactions (mainly futures on crude oil and forwards on foreign currency), margin transactions (in the Refining Segment in respect of the fuels activity and in the Polymers Segment), cross-currency interest rate swaps (CCIRS) and interest rate swaps (IRS).

This Note provides information about the Group's exposure to each of the above risks, the risk management policy, how they are managed, and their supervision.

Most of the Group's revenues and expenses do not include CPI-linkage components. Therefore, inflation trend changes do not have a direct material impact on the Group's revenues and expenses.

The management and supervision of the financial risks of the Group companies are carried out as part of the ongoing management of the companies. As part of discussions in the Company, various market and financial matters are reported to the CEO of the Company by those responsible for risk management.

The person responsible for market risks arising from changes in the USD exchange rates against other currencies, changes in interest rates, liquidity risks, and credit risks is the CFO and EVP Strategy. VP Integrated Planning and Trade is responsible for market risks arising from changes in the price of crude oil and petroleum products, and management of risks arising from the refining margins. The VP of the Polyolefins Business Unit is responsible for market risks arising from changes in the prices of raw materials used to produce polymers (which are mainly derived from crude oil prices) and from polymers margins.

The Company’s Board of Directors, including through the finance and investments committee and the trade committee, discuss the Group’s exposure to market risks, set market risk management policy, receive reports from the management members responsible for market risk management and monitor implementation of the policy by the Group's management.

The trade committee of the Company's Board of Directors discusses the Group's exposure to changes in the price of crude oil, refining margins, and polymers. Most of the decisions of the trade committee on this matter aim, among other things, to reduce the Group's cash flow exposure from the effect of changes in the price of crude oil and on the raw materials and finished products inventory of the Group companies and changes in margins for refining and polymers.

The finance committee of the Company’s Board of Directors discusses the Group's exposure to liquidity risk, changes in the exchange rate and interest rate, investment policy, cash balances, and customer credit policy. Most of the resolutions of the finance committee on this subject aim to reduce the Group's exposure to liquidity risk, changes in the USD exchange rate against the NIS and EUR, variable interest rates (mainly SOFR), and credit risks in trade receivables, cash, and deposits.

NOTE 29 - FINANCIAL RISK MANAGEMENT - cont.

B. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The main exposure of the Group to credit risk is for the following assets:

Trade receivables

The Group's management regularly reviews the exposure to credit risk for trade receivables and analyzes their financial strength in order to determine the nature and extent of the collateral required in the various sale transactions.

To reduce the exposure to risks arising from customer credit, the Group companies secure some of the trade receivables with credit insurance, with attention to the financial robustness of the insurance companies and obtain appropriate collateral where they believe there is exposure to risk, for example, advances, deposits, letters of credit and bank guarantees, taking into account the financial robustness of the relevant banks. In addition, from time to time, the Group companies sell some of its trade receivables in non-recourse factoring arrangements, as detailed in Note 6B above.

Cash and cash equivalents and deposits

Cash and cash equivalents and deposits are mainly deposited in banks and financial institutes, with attention to their financial stability. Accordingly, the Group believes that no consequent significant credit risk is expected.

Derivative financial instruments

Derivative transactions are carried out with banks, investment houses and international trading companies, and with relevant stock exchanges (using clearing services in general provided by the banks), taking into account the financial robustness of these entities. In some cases, derivatives are disposed of on a daily or weekly basis, according to the agreements and credit facilities set with the various entities, which significantly reduces the credit risk.

C. Liquidity risk

Liquidity risk is the risk that the Group companies will not be able to meet their financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due. For the purpose of liquidity management, the Group uses a mix of short- and long-term financing tools, while paying attention to adjusting the scope and average duration of the long-term liabilities and the financial covenants applicable to the Company, and the nature and volume of business activity. Short-term financing tools include mainly secured and non-secured credit facilities, a range of working capital financing tools, including factoring agreements and agreements with suppliers to extend credit days, etc. Long-term financing tools include mainly long-term bank loans, debentures, and working capital financing tools such as an inventory availability transaction. For further details, see Notes 6, 13, 14, 15 and 20B4, respectively.

NOTE 29 - FINANCIAL RISK MANAGEMENT - cont.

D. Market risks

Market risk is the risk that changes in market prices, such as the price of crude oil and margins, foreign exchange rates and interest rates, will affect the fair value or future cash flows of the financial instrument.

In the ordinary course of business, the Group buys and sells financial derivatives to manage market risks. The transactions are carried out in accordance with guidelines determined by the Company's Board of Directors and its committees.

1. Currency risk

The functional currency of the Company and most of its subsidiaries is the US dollar. Accordingly, the exposure of the Group companies is measured in relation to changes in the USD exchange rate compared to the other currencies in which they operate.

The Group is exposed to currency risk due to sales, current expenses, and investments denominated in currencies other than the USD. The Group is also exposed to currency risks in respect of the NIS debentures and loans (unlinked). The Group also has exposures to on-balance-sheet balances denominated in NIS, mainly relating to employee benefits, including the loan to Haifa Early Pension (see Note 18C), to payable taxes (see Note 15B) and to leases (see Notes 12 and 17).

To reduce the cash flow exposure arising from the Group's sales denominated in NIS and EUR (and other currencies in volumes that are not material), and from the Group's NIS sales under the criteria that are set out and revised from time to time depending on currency market developments, inter alia, the Group uses forwards on exchange rates in the short term, usually for terms of up to one year.

To reduce exposure to currency risk arising from financial management, the Group takes out long-term USD loans, works to issue USD-linked debentures, and manages the short-term cash and borrowings balances, mainly in USD. In addition, the Group hedges currency exposure for the amounts of the principal and interest of the NIS debentures issued by the Group through long-term cross-currency interest rate swaps (CCIRS) were made through banks. These transactions, which pertain to Debentures (Series J, L, M and O), were accounted for as hedge instruments by applying fair value and/or cash flow hedge accounting.

2. Interest rate risk

The Group is exposed to changes in interest rates (mainly SOFR) with respect to long-term loans bearing variable interest, to various short-term financing channels, and for USD in cross-currency interest rate swaps (CCIRS) bearing interest at a variable rate.

To adjust the exposure to interest rate risk, the Group plans to issue USD-linked debentures at fixed USD interest, engages in cross-currency interest rate swaps (CCIRS) in respect of NIS-denominated debentures bearing fixed or variable interest and, from time to time, enters into USD interest rate swap transactions at fixed USD interest (IRS) for some of the long-term credit. These transactions, which refer to debentures and certain loans, which were accounted for as hedge instruments by applying fair value hedge accounting and/or cash flow hedge accounting.

NOTE 29 - FINANCIAL RISK MANAGEMENT - cont.

D. Market risks

3. Other market price risks

A. Inventories

In accordance with the Company's policy - which aims mainly to reduce its cash flow exposure to fluctuations in the price of crude oil - it does not use futures to hedge inventory, which, according to the Company's estimate as at December 31, 2025, is approx. 525 thousand tons (of which approx. 730 thousand tons net of the total inventory availability transaction amount detailed in Note 20B4) during the reporting period at the inventory availability transaction date, as detailed in Note 20B4) (hereinafter - the "Basic Inventory Quantity").

For the balance of the Company's inventories beyond the basic inventory amounts (crude oil, intermediate materials, and products), the Company is exposed to fluctuations in crude oil prices, which arise when setting the purchase price of crude oil reserves and intermediate materials and exists until the selling price of the products produced from these materials is set. To reduce this exposure, the Company sells marketable Brent futures when setting the purchase price of crude oil and intermediate materials, and purchases futures when setting the selling price of the distillates. In general, the Company uses futures for the shortest period traded on the market.

The inventory value of the subsidiaries is subject to change in the price of raw materials, which are substantially affected by the change in prices of crude oil. The Group reduces this risk by limiting the quantities of inventory that it holds.

B. Cash flow exposure for acquisition of inventory (basic) at the end of the inventory availability transaction

The Company has a cash flow exposure in respect of an expected transaction for the acquisition of inventory (basic) of approx. 205 thousand tons (approx. 1.5 million barrels – the volume of inventory, which is the subject matter of the availability transaction detailed in Note 20B4) at the market prices prevailing on its termination date (March 2029). As at the report date, the Company has hedged the full exposure by purchasing marketable futures on Brent crude, as at the termination date of the availability transaction, and by purchasing short-term call options. These futures were designated as hedging items for the purpose of cash flow hedge accounting, for exposure to changes in market prices of crude oil until the end of the availability transaction date. It is noted that upon the termination of the previous availability agreement at the end of October 2024, as stated in Note 20B4, the Company discontinued the hedges and recognized in inventories the hedge principal attributed to the transaction, totaling approx. USD 35 million (credit).

C. Refining margins

The Company sets refining margins from time to time for specific refining quantities for periods subsequent to the reporting periods, by using swap transactions that are traded over the counter (OTC), which are adapted to the Company's normal production mix, to the extent possible. In general, the volume of transactions does not exceed 20% of the annual refining volume and for a period not exceeding 24 months.

NOTE 29 - FINANCIAL RISK MANAGEMENT - cont.

D. Market risks

3. Other market price risks

C. Refining margins – cont.

Futures to hedge refining margins in 2025 covered approx. 4.8 million barrels, reflecting an average refining margin for the Company of approx. USD 11 per barrel (in 2024, futures covered approx. 9.5 million barrels, reflecting an average refining margin for the Company of approx. USD 11 per barrel).

In the reporting period, the Company recognized a loss in respect of the realization of refining margin hedges totaling approx. USD 8 million, which was included in the cost of sales line item (in 2024, the Company recognized a loss of approx. USD 25 million).

During the reporting period and thereafter, the Company entered into swap transactions aimed at hedging refining margins for 2026 at a volume of approx. 7.3 million barrels and at a level reflecting an average refining margin of approx. USD 13.5 per barrel for the Company.

In addition, as at the report date and December 31, 2024, the balance of margin calls was immaterial.

Immediately prior to the report approval date, the balance of derivatives in respect of futures to hedge the refining margin in 2026, totaling approx. 6.1 million barrels (for the period from March 1, 2026) constitutes a liability of approx. USD 78 million, for which the Company has margin calls at a similar amount.

D. Polymer margins

In addition, from time to time, Carmel Olefins fixes a margin (over naphtha) for specific polymer quantities, through swaps and/or through futures on naphtha, against fixed selling prices for the products in agreements with its customers. Futures on naphtha against the fixed selling prices to customers will remain at up to 25% of Carmel Olefins' sales in the next 12 months and the volume of swaps - together with said naphtha futures - will account for up to 40% of Carmel Olefins' sales in the next 12 months. In addition, the swaps will be performed for a period of up to 24 months. The transactions of Carmel Olefins were designated as hedging items for the application of cash flow hedge accounting for hedging against: (a) changes in market prices of the expected sales of polymers; and (b) changes in market prices of crude oil (the raw material in naphtha production).

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS

A. Credit risk

1. The carrying amount of the following financial assets represents the maximum credit exposure, without collateral or other credit consolidation: cash and cash equivalents, deposits, trade and other receivables (including long-term receivables), investments in financial assets at fair value and financial derivatives.

2. **The maximum exposure to credit risk for trade receivables, at the reporting date, by geographic region is as follows:**

	As of December 31	
	2025	2024
Customers in Israel	458	487
Customers in other countries	85	106
	543	**593**

3. **Aging of debts and impairment losses:**

	As of December 31			
	2025		2024	
	Gross	Impairment loss	Gross	Impairment loss
Not past due	507	–	561	–
Past due up to six months (1)	33	–	30	–
Past due between six months and one year	3	–	2	–
Past due more than one year	1	(1)	1	(1)
	544	**(1)**	**594**	**(1)**

(1) As at December 31, 2025, an amount of approx. USD 24 million is for debts past due up to 30 days (approx. USD 26 million as at December 31, 2024).

For details regarding management of the Group's credit risks, see Note 29B.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS - cont.

B. Liquidity risk

The following are the contractual maturities of financial liabilities, in undiscounted amounts, including estimated interest payments, based on forward interest rates. This disclosure does not include the impact of offsetting agreements:

	As at December 31, 2025					
		Contractual cash flow				
	Carrying amount	Up to 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows (3)
Non-derivative financial liabilities						
Short-term loans and borrowings (without maturities)	14	14	–	–	–	14
Trade payables	821	821	–	–	–	821
Other payables and credit balances (1)	44	44	–	–	–	44
Debentures (2)	807	144	136	427	271	978
Liabilities to banks (2)	440	92	98	218	162	570
Lease liabilities (2)	146	28	14	26	379	447
Other long-term liabilities	20	–	–	9	11	20
	2,292	**1,143**	**248**	**680**	**823**	**2,894**
Financial liabilities - derivative instruments (2)						
CCIRS used for hedging	7	5	2	–	–	7
Currency hedging contracts	2	2	–	–	–	2
	9	**7**	**2**	**–**	**–**	**9**
Total	**2,301**	**1,150**	**250**	**680**	**823**	**2,903**

(1) Including interest payable.
(2) Including current maturities.
(3) Not including off-balance-sheet liabilities, including for exercise of the put options in the inventory availability transaction as described in Note 20B4.

For certain liabilities to banks and debentures, the Company is subject to financial covenants (see Notes 13 and 14). Non-compliance with the financial covenants may result in early repayment of the liabilities before the dates specified in the above table.

Actual interest payments for liabilities at variable interest may differ from the amounts presented in the table above.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS - cont.

B. Liquidity risk - cont.

	As of December 31, 2024					
		Contractual cash flow				
	Carrying amount	Up to 1 year	1-2 years	2-5 years	More than 5 years	Total contractual cash flows
Non-derivative financial liabilities						
Short-term loans and borrowings (without maturities)	14	14	–	–	–	14
Trade payables	866	866	–	–	–	866
Other payables and credit balances (1)	37	37	–	–	–	37
Debentures (2)	724	167	126	385	189	867
Liabilities to banks (2)	395	91	103	215	107	516
Lease liabilities (2)	129	26	19	16	329	390
Other long-term liabilities	2	–	2	–	–	2
	2,167	**1,201**	**250**	**616**	**625**	**2,692**
Financial liabilities - derivative instruments (2)						
CCIRS used for hedging	50	15	14	42	2	73
Derivatives in respect of margin not used as hedges	1	1	–	–	–	1
	51	**16**	**14**	**42**	**2**	**74**
Total	**2,218**	**1,217**	**264**	**658**	**627**	**2,766**

(1) Including interest payable.
(2) Including current maturities.

Interest payments for liabilities at variable interest may differ from the amounts presented in the table above.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS - cont.

C. Exposure to CPI and foreign currencies risks

The following table indicates the Group's exposure to CPI and foreign currency risks:

	As at December 31, 2025				
	Non-financial and/or non-monetary	Financial and monetary			
		Non-linked NIS	CPI-linked NIS	USD [(1)]	Total
Assets:					
Cash and cash equivalents	-	45	-	570	615
Trade receivables	-	103	-	440	543
Other receivables and debit balances [(2)]	33	-	-	40	73
Financial derivatives, short term	-	102	-	(85)	17
Inventories	619	-	-	-	619
Loan to Haifa Early Pension Ltd. [(3)] [(4)]	-	15	12	-	27
Investments in associates	120	-	-	-	120
Long-term receivables and debit balances	30 [(5)]	-	-	-	30
Financial derivatives, long term	-	697	-	(644)	53
Property, plant and equipment, net	2,145	-	-	-	2,145
Right-of-use assets, net	174	-	-	-	174
Intangible assets and deferred expenses, net	34	-	-	-	34
Total assets	**3,155**	**962**	**12**	**321**	**4,450**
Liabilities:					
Short-term loans and borrowings [(2)]	-	-	-	(14)	(14)
Trade payables	-	(109)	(1)	(711)	(821)
Other payables and credit balances [(2)]	(98) [(6)]	(24)	(4)	(16)	(142)
Financial derivatives, short term	-	(160)	-	154	(6)
Provisions	(7)	-	-	-	(7)
Liabilities to banks [(3)]	-	-	-	(440)	(440)
Debentures [(3)]	-	(807)	-	-	(807)
Lease liability [(3)]	-	-	(93)	(53)	(146)
Other long-term liabilities	(12)	-	-	(20)	(32)
Financial derivatives, long term	-	53	-	(56)	(3)
Employee benefits, net	(46)	-	-	-	(46)
Deferred tax liabilities, net	(240)	-	-	-	(240)
Total liabilities	**(403)**	**(1,047)**	**(98)**	**(1,156)**	**(2,704)**
Total equity balance, net	**2,752**	**(85)**	**(86)**	**(835)**	**1,746**

(1) Including EUR exposure of approx. USD USD 85 million (credit) and non-material balances in other currencies.
(2) Without current maturities.
(3) Including current maturities.
(4) Asset for employee benefits that does not constitute a financial instrument.
(5) Includes an investment of approx. USD 17 million in shares measured at fair value through other comprehensive income.
(6) Including balances denominated in NIS totaling approx. USD 54 million for liabilities for employees, totaling approx. USD 20 million in payable taxes and approx. USD 10 million for institutions.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS - cont.

C. Exposure to CPI and foreign currencies risks - cont.

	As at December 31, 2024					
	Non-financial and/or non-monetary		Financial and monetary			
			Non-linked NIS	CPI-linked NIS	USD (1)	Total
Assets:						
Cash and cash equivalents	–		26	–	726	752
Deposits	–		–	–	1	1
Trade receivables	–		89	–	504	593
Other receivables and debit balances (2)	18		–	–	1	19
Financial derivatives, short term	–		(106)	–	111	5
Inventories	711		–	–	–	711
Loan to Haifa Early Pension Ltd. (3) (4)	–		12	10	–	22
Investments in associates	3		–	–	–	3
Long-term receivables and debit balances	33	(5)	–	–	4	37
Financial derivatives, long term	–		224	–	(217)	7
Property, plant and equipment, net	2,101		–	–	–	2,101
Right-of-use assets, net	170		–	–	–	170
Intangible assets and deferred expenses, net	31		–	–	–	31
Total assets	**3,067**		**245**	**10**	**1,130**	**4,452**
Liabilities:						
Short-term loans and borrowings (2)	–		–	–	(14)	(14)
Trade payables	–		(68)	(1)	(797)	(866)
Other payables and credit balances (2)	(136)	(6)	(21)	(3)	(13)	(173)
Financial derivatives, short term	–		70	–	(85)	(15)
Provisions	(4)		–	–	–	(4)
Liabilities to banks (3)	–		(4)	–	(391)	(395)
Debentures (3)	–		(657)	–	(67)	(724)
Lease liability (3)	–		–	(80)	(49)	(129)
Other long-term liabilities	(10)		–	(2)	–	(12)
Financial derivatives, long term	–		402	–	(438)	(36)
Employee benefits, net	(54)		–	–	–	(54)
Deferred tax liabilities, net	(266)		–	–	–	(266)
Total liabilities	**(470)**		**(278)**	**(86)**	**(1,854)**	**(2,688)**
Total equity balance, net	**2,597**		**(33)**	**(76)**	**(724)**	**1,764**

(1) Including EUR exposure of approx. USD 62 million (credit) and non-material balances in other currencies.
(2) Without current maturities.
(3) Including current maturities.
(4) Asset for employee benefits that does not constitute a financial instrument.
(5) Includes an investment of approx. USD 21 million in shares measured at fair value through other comprehensive income.
(6) Including balances denominated in NIS totaling approx. USD 52 million for payable taxes, totaling approx. USD 45 million for liabilities to employees and approx. USD 20 million for institutions.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS - cont.

C. Exposure to CPI and foreign currencies risks - cont.

1. Sensitivity analysis

A change of the USD against the NIS as at December 31, 2025 and a change in the CPI would have increased (decreased) capital and profit or loss by the amounts shown below. The analysis below is based on possible changes in the exchange rate and CPI.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2024 is performed on the same basis.

	For the year ended December 31, 2025 Increase (decrease), before tax, in profit for the period				
Change in the CPI	**+10%**	**+5%**	**Base value**	**-5%**	**-10%**
Non-derivative instruments (not including leases)	0.7	0.4	7	(0.4)	(0.7)
Lease liability (1)			(93)		
			(86)		
Change in NIS/USD exchange rate					
Non-derivative instruments	78	41	(863)	(45)	(96)
Derivative instruments - cross-currency interest rate swaps (CCIRS)	(80)	(42)	899	46	98
Forwards	19	10	(207)	(11)	(23)
			(171)		

	For the year ended December 31, 2024 Increase (decrease), before tax, in profit for the period				
Change in the CPI	**+10%**	**+5%**	**Base value**	**-5%**	**-10%**
Non-derivative instruments (not including leases)	0.4	0.2	4	(0.2)	(0.4)
Lease liability (1)			(80)		
			(76)		
Change in NIS/USD exchange rate					
Non-derivative instruments	64	33	(699)	(37)	(78)
Derivative instruments - cross-currency interest rate swaps (CCIRS)	(64)	(33)	733	37	78
Forwards	12	6	(143)	(7)	(14)
			(109)		

(1) The effect of the changes in the CPI on a lease liability is recognized against a right-of-use asset and amortized over its useful life.

2. The Group is exposed to changes in the NIS/USD exchange rate in respect of certain costs in shekels. A 1% change in the average exchange rate that applies to shekel-denominated costs in the reporting period would have affected the Company’s own capital by approx. USD 5 million.

   In accordance with the currency risk management policy outlined in Note 29D1 above, this effect is offset, in whole or in part, insofar as the Company enters into futures.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS - cont.

D. Interest rate risk

1. Type of interest

Set forth below is a breakdown of the carrying amount of the Group's interest-bearing financial instruments by interest type:

	As of December 31	
	2025	2024
Fixed interest non-derivative instruments		
Cash and cash equivalents - bank deposits	599	739
Total financial assets	**599**	**739**
Bank loans [(1)]	–	(32)
USD-linked debentures [(1)]	–	(67)
NIS debentures [(1), (2)]	(807)	(657)
Lease liability [(1)]	(146)	(129)
Other long-term liabilities [(1)]	(1)	(3)
Total financial liabilities	**(954)**	**(888)**
Total	**(355)**	**(149)**
Variable interest non-derivative instruments		
Deposits for financial derivatives - short term	3	2
Deposits for financial derivatives - long term	–	3
Total financial assets	**3**	**5**
Short-term loans and borrowings (without maturities)	(14)	(14)
Bank loans [(1), (3)]	(440)	(363)
Liabilities for financial derivatives - short term	–	(1)
Liabilities for financial derivatives - long term	(16)	-
Total financial liabilities	**(470)**	**(378)**
Total	**(467)**	**(373)**
Financial derivatives - hedging transactions on debentures and loans		
Derivatives used for accounting hedging		
Hedging transactions on debentures and loans - NIS component [(1)]	899	733
Hedging transactions on debentures and loans - USD component (1)	(844)	(776)
Total derivatives used for accounting hedging	**55**	**(43)**
Total	**55**	**(43)**

(1) Including current maturities.

(2) As at December 31, 2025 and December 31, 2024, includes a total of approx. USD 28 million, converted through cross-currency interest rate swaps to USD debt at variable interest, and the balance converted through principal and interest swap transactions to USD debt at fixed interest.

(3) As at December 31, 2024, includes an amount of approx. USD 9 million, which was converted through cross-currency interest rate swaps and interest swap transactions to USD debt at fixed interest.

Excluding operating liabilities bearing interest as set out in Note 15.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS - cont.

D. Interest rate risk - cont.

2. Sensitivity analysis of the fair value of hedging transactions on debentures and loans

	As at December 31, 2025 Increase (decrease), before tax, in profit for the period				
Change in NIS interest rate	**+1%**	**+0.5%**	**Base value**	**-0.5%**	**-1%**
Hedging transactions on debentures used for hedging - NIS component (1)	(29)	(15)	899	15	30
			899		

	As at December 31, 2024 Increase (decrease), before tax, in profit for the period				
Change in NIS interest rate	**+1%**	**+0.5%**	**Base value**	**-0.5%**	**-1%**
Hedging transactions on debentures and loans used for hedging - NIS component (1)	(23)	(11)	733	12	24
			733		

(1) A change in NIS interest for cross-currency interest rate swaps used to hedge fair value and to hedge cash flows will be recognized at the carrying amount of the hedge fund, respectively.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS - cont.

D. Interest rate risk - cont.

3. Sensitivity analysis of cash flow regarding non-derivative instruments at variable interest rates and sensitivity analysis of the fair value of hedging transactions on debentures and loans

A change in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular exchange rates, remain constant. It is noted that full exposure is referred to, without taking into account hedges.

	As at December 31, 2025 Increase (decrease), before tax, in profit for the period				
Change in USD interest rate	**+1%**	**+0.5%**	**Base value**	**-0.5%**	**-1%**
Instruments other than variable interest derivatives	(5)	(2)	(467)	2	5
Hedging transactions on debentures used for hedging - USD component (1)	26	13	(844)	(13)	(27)
			(1,311)		

	As at December 31, 2024 Increase (decrease), before tax, in profit for the period				
Change in USD interest rate	**+1%**	**+0.5%**	**Base value**	**-0.5%**	**-1%**
Instruments other than variable interest derivatives	(4)	(2)	(369)	2	4
Hedging transactions on debentures and loans used for hedging - USD component (1)	23	11	(776)	(12)	(24)
			(1,145)		

(1) A change in USD interest for cross-currency interest rate swap contracts for hedging fair value and hedging cash flows will be recognized at the carrying amount of the hedged debentures and the hedge fund, respectively.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS - cont.

E. Other market price risks

Following are details regarding the effect of market price risks on the fair value of derivatives and inventories:

	As at December 31, 2025 Increase (decrease), before tax, in profit for the period				
Price change	**+20%**	**+10%**	**Base value**	**-10%**	**-20%**
Derivatives used for accounting hedging (1)					
Futures (2)	23	12	(7)	(12)	(23)
Derivatives for polymers margin	(5)	(3)	1	3	5
Derivatives not used in accounting hedges					
Futures (2)	(18)	(9)	0.1	9	18
Derivatives for refining margin	(12)	(6)	7	6	12
Inventories (3)	71	35	353	(35)	(71)

	As at December 31, 2024 Increase (decrease), before tax, in profit for the period				
Price change	**+20%**	**+10%**	**Base value**	**-10%**	**-20%**
Derivatives used for accounting hedging (1)					
Futures (2)	7	3	0.4	(3)	(7)
Derivatives for polymers margin	(4)	(2)	3	2	4
Derivatives not used in accounting hedges					
Futures (2)	(11)	(5)	(1)	5	11
Derivatives for refining margin	(10)	(5)	(1)	5	10
Inventories (3)	85	43	426	(43)	(85)

(1) A change in the fair value of derivatives used to apply cash flow hedge accounting is recognized in capital reserve.
(2) The Company is sensitive to changes in the Brent price and Carmel Olefins - to changes in the naphtha price.
(3) The analysis does not include inventory with a selling price that was set as at the reporting date.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS - cont.

F. Fair value of financial instruments for disclosure purposes only

The carrying amounts of certain financial assets and financial liabilities, including cash and cash equivalents, deposits, trade receivables, other receivables and debit balances, long-term receivables and debit balances, financial derivatives, short-term loans and borrowings, trade payables, Other payables and credit balances, and other long-term liabilities (other than lease liabilities), are the same as or proximate to their fair value.

The fair value of the remaining financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	As at December 31, 2025				
	Balance of adjusted p.v.	Carrying amount	Fair value – Level 1	Fair value – Level 2	Discount rate used for determining fair value
Financial liabilities:					
Marketable Debentures (Series J, L, M and O) (1) (2)	823	807	839	–	
Bank loans (3)	453	440	–	466	5.53% - 6.62%
	1,276	**1,247**	**839**	**466**	

	As of December 31, 2024				
	Balance of adjusted p.v.	Carrying amount	Fair value – Level 1	Fair value – Level 2	Discount rate used for determining fair value
Financial liabilities:					
Marketable Debentures (Series I) (1) (2)	67	67	68	–	
Marketable Debentures (Series J, L, M and O) (1) (2)	674	657	670	–	
Bank loans (3)	413	395	–	420	6.78%-7.66%
	1,154	**1,119**	**738**	**420**	

(1) The carrying amount of Debentures is presented at amortized cost (net of raising costs and premium/discounting) and to the extent relevant after application of fair value hedge accounting.
(2) The fair value of the marketable debentures is based on the quoted price on the TASE as at the report date.
(3) The carrying amount is presented net of raising costs and net of adjustments for changes in the loan terms, as set out in Note 13C3.

See Note 4 regarding the basis for determining the fair value of these financial liabilities on Level 2.

Bazan Ltd. - Notes to the Consolidated Financial Statements, in USD millions

NOTE 30 - FINANCIAL INSTRUMENTS - cont.

G. Fair value hierarchy of financial instruments measured at fair value

The table below presents an analysis of the financial instruments measured at fair value, on a timing basis, using the evaluation method. The different levels were defined in Note 4 above.

	December 31, 2025	December 31, 2024
Financial assets		
Non-derivative		
Investments in stocks at fair value through other comprehensive income (Level 3) (4)	17	21
Derivatives used for accounting hedging (1) (2)		
Cross-currency interest rate swaps and interest rate swaps (Level 2)	62	7
Derivatives for polymers margin (Level 3)	1	3
Derivatives not used in accounting hedges		
Derivatives for refining margins (Level 2) (3)	7	–
Currency hedging contracts (Level 2)	–	2
	87	**33**
Financial liabilities		
Derivatives used for accounting hedging (1) (2)		
Cross-currency interest rate swaps and interest rate swaps (Level 2)	7	50
Derivatives not used in accounting hedges		
Derivatives for refining margins (Level 2) (3)	–	1
Currency hedging contracts (Level 2)	2	–
	9	**51**

(1) The fair value of marketable derivatives for inventory and cash flow exposure for acquisition of inventory (basic) at the end date of the inventory availability transaction, classified at Level 1, is presented in the statement of financial position net of the relating calculated amounts.

(2) In 2025, other comprehensive loss (pretax) totaling approx. USD 4 million was carried to hedge reserve in respect of the effective portion of the change in the fair value of Brent futures. As at December 31, 2025, the balance of the hedge fund for the inventory of the availability transaction (before tax) amounts to approx. USD 4 million (debit). For further details, see Note 29D3b.

(3) For further details, see Note 29D3c.

(4) Most of the change is charged against other comprehensive loss.

Following are the main assumptions used to measure the fair value of cross-currency swaps (Level 2):

	December 31, 2025	December 31, 2024	December 31, 2023
NIS interest (used for discounting the NIS component)	2.56% - 3.57%	2.79% - 3.30%	2.45% - 3.86%
USD interest (used for discounting the USD component)	3.31% - 3.74%	4.04% - 4.30%	3.47% - 5.33%
Exchange rate (NIS/USD)	3.19	3.647	3.627

NOTE 31 - SIGNIFICANT SUBSEQUENT EVENTS

A. For details about the developments in legal claims, other contingencies, contracts, and other significant events subsequent to the reporting period, see Note 20.

B. For details regarding developments in engagements with related and interested parties, see Note 27B.

C. For details regarding the decision on the dividend distribution subsequent to the reporting period, see Note 21C.

D. For details regarding the reiteration of the Company's credit rating as det by S&P Maalot subsequent to the reporting period, see Note 14B.

E. For details regarding the development of the security situation subsequent to the reporting period, see Note 1C.

Part D

Additional Details about the Corporation

As at December 31, 2025

Bazan Ltd.

Periodic Report for 2025

Name of Company:	**Bazan Ltd.**
Number of Company:	**520036658**
Address:	**P.O.B 4 Haifa Bay 3100001**
Telephone:	**+972-4-8788111**
Fax:	**+972-4-8788850**
Email:	info@bazan.co.il
Date of Statement of Financial Position:	**December 31, 2025**
Date of approval of the financial statements:	**March 25, 2026**

Regulation 10A - Condensed Statements of Comprehensive Income by Quarters

For the condensed statements of comprehensive income of the Company, by quarter, in 2025, see Section D, Chapter 2 of the Company's Report of the Board of Directors, in Chapter B of the Periodic Report.

Regulation 10C - Use of the Proceeds from Securities

On August 27, 2025, the Company published a shelf offering report, based on the shelf prospectus dated November 12, 2024, according to which Debentures (Series O) were issued to the public by way of a series expansion. The Company received a net consideration for the issuance of additional Debentures (Series O) under the shelf offering report in the amount of approx. USD 132 million, net of issuance costs. For further details, see Note 14B to the Company's Consolidated financial statements as of December 31, 2025, attached **in Chapter C of this report** (hereinafter – the "**Consolidated Financial Statements**"). The proceeds of the issuance are used by the Company to recycle existing debt and for its current business operations and to fund investments, in accordance with the decisions of the Company's management, as may be from time to time.

Regulation 11 - Investments in Subsidiaries and Material Associates

For details, see Note 9 to the Consolidated Financial Statements and Notes 3 and 7 to the Separate Financial Information in Chapter E to this Report.

Regulation 12 - Changes in Investments in Subsidiaries and Material Associates

For details, see Note 9 to the Consolidated Financial Statements and Notes 3 and 7 to the separate financial information in Chapter E to this report, including with regard to the investment in Cantium Energy LP through the subsidiary Energil LLC.

Regulation 13 - Income of Subsidiaries and Material Associates and the Corporation's Revenues Therefrom

For details, see Note 3B to the separate financial information in Chapter E to this report.

Regulation 20 - TASE Trading – Listed Securities – Dates and Reasons for Suspended Trading

Further to the provisions under Regulation 10C above, during the Reporting Period, an additional NIS 439,444 thousand p.v. in Debentures (Series O) was listed for trading.

In addition, during the Reporting Period, 4,311,707 ordinary Company shares of NIS 1 par value each were listed, following the exercise of options by Company officers; for details see Section 1.3.1 to the Description of the Corporation's Business chapter and Note 21 to the Consolidated Financial Statements.

Trading of the Company's securities was not suspended during the Reporting Period, except for short trading halts due to the publication of reports in the Magna system and a voluntary trading halt on June 16, 2025 due to the missile strikes (as detailed in Section 1.6.3.4 to the Description of the Corporation's Business chapter).

Regulation 21 – Compensation of Interested Parties and Senior Officers

A. Below is a breakdown of the compensation given in 2025 to each of the five highest paid of the Company's senior officers and information on the compensation given to interested parties in the Company (in NIS thousands):

Compensation - recipient's details					Compensation for services (1)				Royalties	Total	
Name	Position	Appointment percentage	Ownership stake								
			In corporation's equity	Fully diluted	Salary	Bonuses (8)	Share-based compensation (2)		Other	Excluding share-based compensation	Including Share-based compensation
Moshe Kaplinsky (3)	Chairman of the Board of Directors	100%	0.12%	0.40%	2,546	1,300	750		-	3,846	4,596
Asaf Almagor (4)	CEO	100%	-	-	3,447	1,680	1,028		1,323 (5)	6,450	7,478
Shlomo Basson (6)	Executive Deputy CEO, Acting CEO and COO	100%	-	0.05%	2,313	950	527		-	3,263	3,790
Guy Liberman (6)	CFO & EVP Strategy	100%	-	-	1,795	904	395		-	2,699	3,094
Mark Hana (6)	VP Marketing and Sales	100%	-	0.09%	1,644	675	250		-	2,319	2,569
Directors (7)			-	0.12%	3,574	-	291		-	3,574	3,865

(1) The compensation amounts are presented at cost to the Company, linked to the CPI.

(2) The share-based payment to the Company's officers is presented above according to a linear division of the benefit over the expected vesting period; for details, see Note 21B to the Consolidated Financial Statements. Salary expenses recognized in the income statement for share-based payment transactions in accordance with GAAP are as follows: Moshe Kaplinsky - approx. NIS 1,119 thousand, Asaf Almagor - approx. NIS 469 thousand, Shlomo Basson - approx. NIS 218 thousand, Guy Liberman - approx. NIS 134 thousand, Mark Hana - approx. NIS 373 thousand, directors - approx. NIS 346 thousand.

(3) For details regarding the terms of employment of Mr. Moshe Kaplinsky, see Notes 21B and 27B3b to the Consolidated Financial Statements.

(4) For details regarding the terms of employment of Mr. Asaf Almagor, see Notes 21B and 27B3c to the Consolidated Financial Statements. On November 27, 2025, Mr. Almagor announced his intention to step down from his position during 2026, and accordingly - his term of office ended on January 29, 2026

(5) Amounts recognized according to generally accepted accounting principles to the Company's profit and loss in the reporting period, mainly in respect of termination benefits.

(6) For details regarding their terms of employment, see Section B below.

(7) The aggregate compensation amount for all Directors (except the Chairman of the Board of Directors). It is clarified that this amount includes additional compensation for Mr. Alex Passal, in accordance with his service provision agreement, which is in addition to directors' compensation (as stated in Note 27B3e to the Consolidated Financial Statements). For further details regarding the Company directors' compensation terms, see Note 27B to the Consolidated Financial Statements.

Regulation 21 – Compensation of Interested Parties and Senior Officers - cont.

A. (cont.)

(8) Under the Company's compensation policy, the annual bonus is entirely or partially determined according to the Company's performance (the bonus to the Chairman of the Board of Directors is entirely based on the Company's performance, whereas the bonus for the CEO and the other officers is partially based on the Company's performance). Pursuant to Section 10.2 to the Compensation Policy, when calculating the threshold conditions for the annual bonuses to the Company's officers in 2025 (including officers not listed in this table), the effect of the missile strike at the Company's facilities in June 2025, during Operation Rising Lion (a one-off event which was not taken into account when the targets were set) was neutralized, which - had it not been neutralized - would have prevented the Company from meeting one of the threshold conditions for the award of annual bonuses to the officers for that year. It is also noted that for the purpose of calculating the threshold conditions, the Company did not take into account the effects of the acquisition of Cantium's activity (as defined in the Description of the Corporation's Business chapter), which was acquired in the reporting year. The bonus to Mr. Liberman includes a special bonus paid during 2025, in accordance with the provisions of the Compensation Policy.

B. Compensation of senior officers

(1) The terms of employment of Mr. Shlomo Basson - the engagement to employ Mr. Basson is for an unlimited time and either party may terminate it by a six months' prior notice. When his employment is terminated for any reason whatsoever other than dismissal under special circumstances as detailed in the employment agreement, Mr. Basson will be entitled to a retirement bonus of 50% of the severance pay under the law, beside the amounts accrued in his favor for severance pay. In addition, Mr. Basson is eligible to a persistency bonus, which will be calculated as the product of the number of years he served in the Company multiplied by a certain rate which will increase from year to year but will not exceed 50% of his last basic salary upon termination of his employment by the Company.

(2) The terms of employment of Mr. Guy Liberman - the engagement to employ Mr. Liberman is for an unlimited time and either party may terminate it by a six months' prior notice. In 2025, an Mr. Liberman's salary was revised.

(3) The terms of employment of Mr. Mark Hana - the engagement to employ Mr. Hana is for an unlimited time and either party may terminate it by a six months' prior notice. When his employment is terminated for any reason whatsoever other than dismissal under special circumstances as detailed in the employment agreement, Mr. Hana will be entitled to a retirement bonus of 50% of the severance pay under the law, beside the amounts accrued in his favor for severance pay.

The terms of the officers' employment include different benefit components in accordance with the Company's compensation policy.

Regulation 21A - Controlling Shareholder of the Company

As from September 15, 2022 until the Report approval date, the only controlling shareholder of the Company is Israel Petrochemical Enterprises Ltd. (hereinafter - "**IPE**"), a publicly-traded company traded on the TASE that holds (directly and via a company wholly-owned and controlled by it) approx. 24.74% of the issued capital of the Company. In addition, Mssrs. Yaakov Gutenstein, Alex Passal, and Adi Federman, the controlling shareholders of IPE have a control permit for the Company.For details regarding IPE's announcement regarding agreements signed between its shareholders (including regarding a voting agreement with respect to the appointment of the Company's directors) during the reporting period, see the Company's reports of February 16, 2025 and February 23, 2025 (Ref. Nos.: 2025-01-010777 and 2025-01-012111, respectively), the details of which are included herein by way of reference.

For further details, see Section 1.19.10.3 to the Description of the Corporation's Business chapter.

Regulation 22 - Transactions with Controlling Shareholder

Below is a breakdown, to the best of the Company's knowledge, of transactions with a controlling shareholder, or in the approval of which a controlling shareholder has a vested interest, and which are not negligible transactions as defined in Note 27J to the Consolidated Financial Statements, in which the Company engaged in 2025 and through to the reporting date:

A. Serving Company directors who are controlling shareholders thereof received an indemnity and liability exemption undertaking from the Company whose wording is identical to that of the Company's other serving directors. For details, see the General Meeting Summons Report dated April 8, 2025 (Ref. No.: 2025-01-026252) and the General Meeting Results Report dated May 15, 2025 (Ref. No.: 2025-01-034263), which is included herein by way of reference.

B. On August 27, 2024, the Company's general meeting approved - after the approval of its Compensation Committee and the Board of Directors - a revised compensation policy for the Company, which includes a reference to pay, related benefits and variable compensation components (such as bonuses and equity compensation), in effect for a period of three years from the date of its approval by the general meeting, or a longer period, if such is determined during the said period in accordance with the provisions of the Companies Law (hereinafter - the "**Compensation Committee**"). For further details, see the general meeting summons report (Amendment) published by the Company on August 21, 2024 (Ref. No. 2024-01-086433), which is included herein by way of reference.

C. In accordance with the Company's Compensation Policy, directors may assign the compensation that they are entitled to receive for their term of office, to other parties, including to the controlling shareholders of the Company, at their discretion.

D. According to the Company's Compensation Policy, the Company obtains officer insurance, with customary coverage terms noting the Company's characteristics and subject to the applicable restrictions by law and under the Company's Articles of Association. If was further decided that the Compensation Committee may approve, from time to time, the purchase of an officers' liability insurance under the following terms: (a) The liability limit of the officers' liability insurance policy will be up to USD 250 million per claim; (b) The insurance policy, including the annual premium amount and deductible shall be made under prevailing market conditions at the policy issuing date and is not expected to have a material effect on the Company's profitability, assets or liabilities. For further details regarding the Compensation Policy, see amending general meeting summons report published by the Company on August 21, 2024 (Ref. No.: 2024-01-086433), the details of which are included herein by way of reference, and for details regarding the existing insurance arrangements in the Company, see Regulation 29A4 below.

E. Engagement with Company director and controlling shareholder, Mr. Alex Passal, in an agreement for providing services for payment, in addition to directors' compensation. For details - see Note 27B3e to the Consolidated Financial Statements and the General Meeting Summons Report published by the Company on December 4, 2025 (Ref. No.: 2025-01-096823) and the General Meeting Results Report published by the Company on January 8, 2026 (Ref. No.: 2026-01-004126), which is included herein by way of reference.

Regulation 22 - Transactions with Controlling Shareholder - cont.

F. During the reporting period – the Company's Compensation Committee and Board of Directors approved additional compensation in favor of expert external directors Adi Federman and Yaakov Gutenstein, who are included among the Company's controlling shareholders and whose wages are linked to the external directors' fees, in accordance with Regulation 1B(3) to the Exemption Regulations. For details, see the Company's immediate report dated January 28, 2025 (Ref. No.: 2025-01-007296), whose content is included herein by way of reference. Furthermore, the Company's Compensation Committee and Board of Directors approved Mr. Rafi Arad's directors' fees, whose wages are linked to the external directors' fees; and furthermore, approved such compensation for the period commencing on the end date of the three-year period between the latest approval and the current approval, in accordance with Regulation 1A(2) of the Exemption Regulations, as detailed in the Company's immediate report dated March 11, 2025 (Ref. No.: 2025-01-016280), included herein by way of reference.

G. For further details, see Note 27 to the Consolidated Financial Statements.

Regulation 24 - Securities Held by Interested Parties and Senior Officers in the Company or in Any of Its Investees which Have Operations that Are Material to the Operations of the Company, as of the Report Approval Date

For details regarding the holdings of the Company's officers and interested parties as of immediately prior to the report approval date, see the Report on the Status of Holdings of Interested Parties and Senior Officers published by the Company on January 8, 2026 (Ref. No. 2026-01-003388 (as well as an immediate report on the change in holdings of interested parties published by the Company on February 17, 2026 (Ref. No. 2026-01-015664), which is included herein by way of reference.

Regulation 24A – Registered and Issued Share Capital, and Convertible Securities

For details, see Note 21 of the Consolidated Financial Statements, as well as the report on corporate equity and securities registers and changes thereto, which the Company published on February 17, 2026 (Ref. No.: 2026-01-015657), and whose content is included herein by way of reference.

Regulation 24B - The Company's Register of Shareholders

The Company's Register of Shareholders is presented in this report by way of reference to the Company's report regarding its equity and listed securities and changes therein, published by the Company on February 17, 2026 (Ref. No.: 2026-01-015657).

Regulation 25A - Registered Address

For details regarding the Company's address and contact information, see the introduction to this report.

Regulation 26 - The Directors of the Corporation as of the Report Approval Date

	Moshe Kaplinsky, Chairman of the Board	Rafael Arad, Director	Yaakov Gutenstein, Director	Alexander Passal, Director	Itay Simkin, External Director
ID No.:	054679550	059259408	51176063	042540195	56816978
Date of birth	January 20, 1957	April 7, 1965	March 2, 1952	February 28, 1949	February 7, 1961
Address	6 Nissim Aloni, Tel Aviv	37 Ahim Yitkovsky, Petach Tikva	35A Bustenay St., Ramat Hasharon	Bnei Binyamin 1/44, Netanya	3 Hanna Rubina St., Tel Aviv
Citizenship	Israeli	Israeli	Israeli	Israeli	Israeli and British
Membership on Board of Directors Committees	Environment, Safety and ESG Committee, Security Committee (Chair), Executive and Strategy Committee (Chair)	Environment, Safety and ESG Committee, Trade and Hedging Committee, Investment in Existing Activity Committee, Finance and Financial Investments Committee (Chair), Innovation Committee	Innovation Committee (Chair); Trade and Hedging Committee, Investment in Existing Activity Committee, Trade and Hedging Committee, Executive and Strategy Committee	Finance and Financial Investments Committee, Trade and Hedging Committee, Security Committee, Environment, Safety and ESG Committee, Investment in Existing Activity Committee (Chair), Executive and Strategy Committee.	Balance Sheet and Audit Committee, Compensation Committee, Trade and Hedging Committee, Innovation Committee, Security Committee
Is he/she an independent director / external director	No	No	No	No	Yes
Does he/she have accounting and financial expertise or professional qualifications	No	He/she has accounting and financial expertise	No	He/she has accounting and financial expertise	Has professional qualifications
Is he/she an employee of the Company, its subsidiaries, affiliates or of an interested party	Company's Chairman of the Board	CEO of Israel Petrochemical Enterprises	No	Director in the joint municipal company for the Bazan compound	No
Date of commencement of office as director	August 13, 2021	November 4, 2020	April 28, 2014	April 28, 2014	April 21, 2024

Bazan Ltd.

	Moshe Kaplinsky, Chairman of the Board	Rafael Arad, Director	Yaakov Gutenstein, Director	Alexander Passal, Director	Itay Simkin, External Director
Education	BA in Economics and Business Administration, Bar Ilan University; MBA, Tel Aviv University	BA in Economics and Accounting, Tel Aviv University	BA in Economics and Political Science, Bar Ilan University	BA in Economics and Business Administration, Bar Ilan University	BA in Geography and Political Science, Haifa University
Occupation during the past five years	CEO of Bazan Group	CEO of Israel Petrochemical Enterprises	Chairman of Israel Petrochemical Enterprises Ltd.	CEO and owner of Bargal Financial Enterprises Ltd.; Gima Investments Ltd.; Bargal Research and Development Investments (1996) Ltd.; Passal Investments Ltd.	Founder and CEO of SEA Global Commodities AG
Companies in which he/she serves as a director	Electreon Wireless Ltd.; Aspen Group Ltd.; Kaplina K.P.L. Ltd.	Apex Issuances Ltd.; R. Arad Management and Development Ltd.; Netanel Menivim Ltd.	Israel Petrochemical Enterprises Ltd. (Chairman); Modgal Group; Bargal Financial Enterprises Ltd.; Bargal Research and Development Investments (1996) Ltd.; Got (Y.R.N) Ltd.; Hudson Industries Ltd.; Interna Ltd.	Israel Petrochemical Enterprises Ltd.; Modgal Ltd.; Modgal Metals Ltd.	SEA Global Commodities AG
Is he/she a family member of other interested parties in the Company	No	No	No	No	No
Is he/she a director the Company regards as having accounting and financial expertise for the purpose of meeting the minimum number set by the Board of Directors in accordance with Section 92(a)(12) to the Companies Law	No	Yes	No	Yes	No

	Ariel Strenberg, Director	Nira Dror, Independent Director	Orna Hozman Bechor, External Director	Adi Federman, Director
ID No.:	039806997	052726551	024570202	014680789
Date of birth	May 9, 1984	November 25, 1954	November 12, 1969	May 19, 1972
Address	3 Strauss St. Tel Aviv	7 Dvora HaNevi'a, Ramat HaSharon	7 Haprachim, Ramat HaSharon	Ramat Yam 12, Herzliya Pituach
Citizenship	Israeli	Israeli	Israeli	Israeli and British
Membership on Board of Directors Committees	Environmental, Safety and ESG Committee; Finance and Financial Investments Committee	Finance and Financial Investments Committee, Balance Sheet and Audit Committee, Compensation Compensation Committee, Environment, Safety and ESG Committee (Chair), Investment in Existing Activity Committee, Security Committee	Balance Sheet and Audit Committee (Chair), Compensation Committee (Chair); Investment in Existing Activity Committee, Innovation Committee	Finance and Financial Investments Committee, Trade and Hedging Committee (Chair), Executive Committee, Innovation Committee
Is he/she an independent director / external director	No	Yes	Yes	No
Does he/she have accounting and financial expertise or professional qualifications	He/she has accounting and financial expertise	Does he/she have accounting and financial expertise	Has accounting and financial expertise, expert external director	No
Is he/she an employee of the Company, its subsidiaries, affiliates or of an interested party	A partner in Community Fund, the controlling shareholder of which is Mr. Jeremy Blank, one of the Company's interested parties	No	No	No
Date of commencement of office as director	May 15, 2025	June 21, 2021	January 16, 2023	October 6, 2022

	Ariel Strenberg, Director	Nira Dror, Independent Director	Orna Hozman Bechor, External Director	Adi Federman, Director
Education	Graduate - Operations Research & Financial Engineering, Princeton University	BA Economics, Tel Aviv University; MBA Tel Aviv University, graduate of the Israeli Insurance Institute.	BA Business Administration, Thames Valley University; EMBA, Bar Ilan University.	
Occupation during the past five years	Partner at Community Fund, director at Yaaz Entrepreneurship & Projects Ltd.	Amot Investments (External Director); S. Shlomo Holdings Ltd.; S. Shlomo Insurance Company Ltd.; Israel Corporation Ltd. (External Director); Meshek Energy Ltd. (External Director); Tel-Hai, University of Kiryat Shmona in the Galilee - Member of the Board of Trustees and the Audit Committee; Israeli Cancer Society - Audit Committee.	Chairman of the Board of Ashdod Port; Director General of the Ministry of the Interior; Director General of the Ministry of Energy and Infrastructure	Director at Modgal Ltd., Modgal Industries 99 Ltd., Alverstone Ltd., Hudson Ltd., Fedanco Ltd., I.D. Federman Holdings Ltd.; Dynamics ID Enterprises and Construction Ltd.; Green Alaska Ltd. and Fedanco UK
Companies in which he/she serves as a director	Yaaz Entrepreneurship & Projects Ltd.; Cantium Management LLC	Israel Corporation Ltd. (External Director); Meshek Energy Ltd. (External Director); S. Shlomo Holdings Ltd.; S. Shlomo Insurance Company Ltd.; Tel-Hai, University of Kiryat Shmona in the Galilee - Member of the Board of Trustees and the Audit Committee; Israeli Cancer Society - Audit Committee.	Rafael Advanced Defense Systems: Migdal Holdings Ltd., Energix Renewable Energies Ltd., Global Knafaim Ltd., Megureit Israel Ltd., College of Management - Director and member of the Audit Committee	Modgal Ltd., Modgal Industries 99 Ltd.; Hudson Ltd., Fedanco Ltd., Crithmun Industries Ltd., and I.D. Federman Holdings Ltd.
Is he/she a family member of other interested parties in the Company	No	No	No	No
Is he/she a director the Company regards as having accounting and financial expertise for the purpose of meeting the minimum number set by the Board of Directors in accordance with Section 92(a)(12) to the Companies Law	Yes	Yes	Yes	No

For details regarding Mr. Ron Hadassi, whose tenure as director ended during the Reporting Period, see Regulation 26 to Chapter D to the Periodic Report for 2024 published by the Company on March 12, 2025 (Ref. No.: 2025-01-016302) (hereinafter - "**2024 Annual Report**"), which is incorporated herein by way of reference.

Regulation 26A - Senior Officers of the Company as at the Date of the Report

	Rafael Maman	Shlomo Basson	Shmuel Holzkan	Guy Liberman	Mark Hana
ID No.:	057108813	059033514	022364244	060938032	011459005
Date of birth	May 13, 1961	September 30, 1964	February 15, 1969	June 16, 1982	September 17, 1976
Tenure commencement date	January 29, 2026	March 7, 2012	April 1, 2022	November 1, 2022	July 1, 2014
Position	CEO	Executive Deputy CEO, Acting CEO and COO	VP Human Resources	CFO & EVP Strategy	VP Marketing and Sales
An interested party in the Company or a relative of a senior officer and/or an interested party in the Company	No	No	No	No	No
Education	B.Sc. in Information Systems Engineering - Technion - Israel Institute of Technology (with highest honors)	BA in Middle Eastern Studies, Haifa University. MBA - Haifa University PhD candidate	BA in Political Science and Middle Eastern Studies - Hebrew University MA in Political Science and Social Sciences and National Security, Haifa University	BA in Accounting and Law - The College of Management - Academic Studies MBA - Hebrew University	BA in Business Administration - University of Southern California MBA at Mercer University, Atlanta.
Business experience in the past five years	Managing Director, Alvarez & Marsal; VP Strategy and Technology, Sygnia Consulting Ltd.; Partner, Information Security (Cybersecurity) and Privacy Protection, PwC.	Deputy CEO, VP Safety, Security, Environment, Procurement and Contracts; Acting CEO (Interim) (from June 2019 through May 2020); Chairman of the Board of Haifa Basic Oils (until 2020), Carmel Olefins and Gadiv	VP Human Resources; Chief Human Resources Officer and Head of Casualties Division with the rank of Brigadier General (until August 2020)	CFO; Deputy CEO and VP Finance of Solegreen Ltd (2019-2022); VP Finance of Alon Gas Exploration Ltd. (2017-2019)	VP Marketing and Sales VP Procurement and Contracts (from 2018 through 2022); Director at Haifa Basic Oils (until 2020) and Carmel Olefins (UK) Ltd. and Ducor

	Yoav Katz	Limor Fasher Cohen	Orit Barkhorder	Yonatan Gershon
ID No.:	022339733	024339541	312677685	040142119
Date of birth	May 25, 1966	April 11, 1969	August 22, 1977	September 15, 1980
Tenure commencement date	December 1, 2024	August 28, 2013	December 1, 2022	April 1, 2022
Position	VP - Head of Fuels and Aromatics Business Unit	VP Integrated Planning and Trade	VP - Head of Polyolefins Business Unit	VP, Chief Legal Counsel
An interested party in the Company or a relative of a senior officer and/or an interested party in the Company	No	No	No	No
Education	B.Sc. in Mechanical Engineering - Technion - Israel Institute of Technology. MBA - Tel Aviv University	B.Sc. in Chemical Engineering - Technion - Israel Institute of Technology. MBA, Haifa University.	B.Sc. in Chemical Engineering - Technion - Israel Institute of Technology.	BA in Law - College of Management. MBA - College of Management.
Business experience in the past five years	CEO of Paz Oils and Chemicals Ltd. (2021-2024); Chief Operating Officer at Ambar Feed Mill (2018-2021)	VP Integrated Planning and Trade in the Company; Director at Carmel Olefins	VP, Polyolefins Business Unit; Plant Manager of the Polyolefins Unit (until November 2022); Operations Manager of the Polyolefins Unit (until June 2022)	VP, Chief Legal Counsel; Chief Legal Counsel at Equital Ltd., Naphtha Israel Petroleum Corp. Ltd., Isramco Negev 2 Ltd., and private companies in Equital Group (2020-2022)

	Eliahu Mordoch	Orly Abramovitch	Eli Tzarfati	Shlomo Ben-Shimol
ID No.:	024433260	025044140	038144986	012308789
Date of birth	July 28, 1969	January 28, 1973	November 20, 1985	July 2, 1956
Tenure commencement date	July 1, 2011	January 16, 2022	April 4, 2023	December 1, 2024
Position	Company Secretary	VP IT&OT	Manager, Accounting Department	Internal Auditor
An interested party in the Company or a relative of a senior officer and/or an interested party in the Company	No	No	No	No
Education	LLB - Haifa University. BA in Economics, Haifa University. MBA - Tel Aviv University	B.Sc. in Industrial Engineering and Management, major in Information Systems - Ben Gurion University of the Negev. MBA - Ben Gurion University	CPA. BA in Economics and Accounting, Haifa University. MBA - Open University.	BA in Economics and Accounting, Tel Aviv University. CPA. Certified internal auditor.
Business experience in the past five years	Company Secretary	VP IT & OT; Director of IT and Innovation at Bank of Jerusalem	Manager, Accounting Department; Director at Carmel Eco Ltd., United Petroleum Export Co. Ltd., and Kamor Shipping Services Ltd.; Head of Financial Reporting Department of the Company.	Partner at Deloitte Israel (until 2021), member of audit committees of public institutions and internal auditor in various entities.

For details regarding Mr. Asaf Almagor, whose term as the Company's CEO ended on January 29, 2026, see Regulation 26A of Chapter D of the 2024 Annual Report, whose content is included herein by way of reference.

Regulation 26B - Independent Authorized Signatory

The Company has no independent authorized signatories.

Regulation 27 – The Company's Independent Auditors

Kost Forer Gabbay & Kasierer, CPAs, 144A Menachem Begin Road, Tel Aviv.

Regulation 28 – Changes to the Memorandum or Articles of Association

In the reporting period, no changes were made to the memorandum or articles of association.

Regulation 29(a) – Recommendations and Resolutions of the Board of Directors

A. Distribution of dividends as detailed in Note 21C to the Consolidated Financial Statements.

B. During the Reporting Period, pursuant to the resolution of the Company's Board, the Company allocated 7,380,000 restricted share units convertible into 7,380,000 ordinary Company shares, to managers in the Group. For details, see the (amended) private placement report the Company published on May 13, 2025 (Ref. No.: 2025-01-033555), whose content is included herein by way of reference.

C. Subsequent to the Reporting Period, on January 29, 2026, the Company's Board of Directors approved (further to the approval of the Company's Compensation Committee, Board of Directors and General Meeting) the allocation of 13,274,000 options to the Company's CEO. For details, see the private placement report the Company published on February 1, 2026 (Ref. No.: 2026-01-011439), whose content is included herein by way of reference.

D. For details regarding the acquisition of interests in US-based Cantium Energy, see Note 20(b) to the Consolidated Financial Statements.

E. On November 23, 2025, the Company's Board of Directors approved (further to the approval of the Audit Committee) the provision of an indemnity undertaking to Cantium Energy LP (hereinafter - the "**Acquisition Partnership**"), the General Partner and the Acquisition Partnership's management company, including their officers and employees, with respect to the publication of the Acquisition Partnership's financial statements - due to the Company's needs (if any), under terms set by the Company's Audit Committee and Board of Directors.

Regulation 29(b) - General Meeting Resolutions Adopted not in accordance with the Recommendations of the Board of Directors

During the reporting period, no resolutions were adopted by the general meeting that were not in accordance with the recommendations of the Board of Directors.

Regulation 29(c) - Resolutions Adopted at an Extraordinary General Meeting

A. Resolution of May 15, 2025 regarding the approval of the award of revised indemnity and exemption letters to Company directors who are among its controlling shareholders or relatives thereof. For details, see the general meeting summons report published by the Company on April 8, 2025 (Ref. No. 2025-01-026252), which is included herein by way of reference.

B. Subsequent to the Reporting Period, a resolution to appoint Ms. Orna Hozman Bechor for a second three-year term in office as an external director in the Company.

C. A resolution on the renewal of the Company's engagement with Mr. Alex Passal in an agreement for the provision of services, for a consideration payable in addition to the directors' compensation due to him.

Regulation 29(c) - Resolutions Adopted at an Extraordinary General Meeting - cont.

For details regarding the last two resolutions, see the general meeting summons report published by the Company on December 4, 2025 (Ref. No. 2025-01-096823), which is included herein by way of reference.

Regulation 29A(3) - extraordinary transactions which require special approvals pursuant to Section 270(1) to the Companies Law

See Regulation 29A(d)and (e) above.

Regulation 29(a)(4) - Exemption, Insurance or Undertaking of Indemnification of Officers

A. The Company has an effective officer and director liability insurance policy in the Company and in directly and indirectly held subsidiaries, for USD 220 million limits of liability (the limit of liability for the Company's own liabilities is at USD 180 million); the policy also covers claims regarding securities. The insurance also applies, under the conditions described above, to directors on behalf of the controlling shareholders. For further details regarding the terms of the insurance policy, see Regulation 22 above. The Company also has a run-off policy with a liability limit of USD 190 million for a period of seven years (from September 15, 2022) to cover claims filed in the insurance period in respect of acts that occurred up to the insurance purchase date.

B. The Company granted prior exemption to directors and officers of liability for damage resulting from a breach of their fiduciary duty towards the Company, subject to the provisions of the Companies Law, as well as a letter of undertaking to indemnify directors and officers of the Company, including directors who are controlling shareholders of the Company, Mssrs. Yaakov Gutenstein, Alex Passal, and Adi Federman, according to which, subject to the terms of the letter of undertaking, the Companies Law and the Securities Law, the Company undertook to indemnify all its officers for any liability or expense, that may be imposed on them or that they may incur as a result of actions that they took or may take as part of their position as officers of the Company or of another company in which the Company holds at least 5%, (including actions taken prior to the date of the letter of undertaking) that are directly or indirectly related to one or more of the events set out in the addendum to the letter of undertaking, which the Board of Directors of the Company assessed may occur in view of the Company's operations as at the date of issue of the letter of indemnity, or any part thereof or related thereto, directly or indirectly, provided that the maximum amount of the indemnification will not exceed an amount equivalent to 25% of the Company's equity (consolidated) as per the last financial statements published by the Company prior to the actual indemnification.

The undertaking to indemnify officers as provided in this section will apply (a) with regard to any monetary liability, if such is imposed on an officer in Israel and/or abroad in favor of another person and/or entity pursuant to a judgment, including a judgment rendered in a settlement or an approved arbitrator's award; (b) for reasonable litigation costs, including legal fees, incurred by officers in consequence of an investigation or proceeding conducted against them by an authority competent to conduct such investigation or proceeding, and which ended without the filing of an indictment against them, and without the imposition of a financial sanction as an alternative to a criminal proceeding; or that ended without filing an indictment against them but rather with the imposition of a financial sanction as an alternative to a criminal proceeding for an offense that does not require proof of criminal intent, as detailed in Section 260(1a) of the Companies Law; (c) for any reasonable litigation expenses, including attorney's fees, incurred by an officer or imposed by a court in a proceeding filed against the officer by the Company or on its behalf or by a person and/or another entity; (d) any expenses incurred with regard to an administrative proceeding (as defined below) that was conducted with regard to an officer, including reasonable litigation expenses, including attorney's fees; (e) any other liability or expense that is permitted or will be permitted for indemnification under any law.

Regulation 29(a)(4) - Exemption, Insurance or Undertaking of Indemnification of Officers - cont.

B. (cont.)

In this section, "administrative proceeding" will mean - proceedings pursuant to Chapter H3 (Imposing A Monetary Sanction by the Israel Securities Authority), H4 (Imposing Administrative Enforcement Measures by the Administrative Enforcement Committee) or I1 (Conditioned Arrangement for Avoidance of Taking Action or for Stopping Action) of the Securities Law.

For the wording of the revised indemnity and exemption letter approved for the Company's officers in the reporting year, see the General Meeting summons report dated April 8, 2025 (Ref. No.: 2025-01-026252).

March 25, 2026

____

Bazan Ltd.

Names and Titles of Signatories:	**Positions:**
Moshe Kaplinsky	Chairman of the Board
Rafael Maman	CEO

Part E

Separate Financial Information

Separate financial information presented pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Kost Forer Gabbay & Kasierer
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Attn.
The Shareholders of Bazan Ltd.

Dear Madam/Sir,

Re: Special Independent Auditor's Report on the Separate Financial Information pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Opinion

We have audited the Separate Financial Information presented pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, of Bazan Ltd. (hereinafter - the "Company") as at December 31, 2025 and for the year ended on that date (hereinafter - the "Separate Financial Information").

In our opinion, the Separate Financial Information was prepared, in all material respects, in accordance with Regulation 9 C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Basis of the opinion

We conducted our audit in accordance with the generally accepted auditing standards in Israel. Our responsibilities under those standards are further described in the independent auditor's responsibilities for the Audit of the Separate Financial Information section of our report. We are independent of the Company in accordance with the legal provisions applicable in Israel regarding independence and the prevention of conflicts of interest of the independent auditor in Israel. Furthermore, we have fulfilled our other ethical obligations in accordance with the Accountants Law, 1955, and the regulations promulgated thereunder. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to that which is stated in Note 5B to the Separate Financial Information (including by way of reference to Note 20C to the Company's Consolidated Financial Statements) regarding the Government of Israel's resolution dated March 6, 2022 on the strategy for the development and advancement of the Haifa Bay, which includes forming a government team to negotiate with the Company, with the aim of reaching an arrangement to discontinue the activity of petrochemical manufacturing of the Group's companies, while maintaining the energy security and regular fuel supply to the Israeli economy; in the opinion of the Company's management, as stated in this note, according to which at this stage, it is impossible to evaluate the significance and impact on the Company's activity, business and financial results.

We also draw attention to that which is stated in Note 5B to the Separate Financial Information (including by way of reference to the matters described in Note 20A(4) to the Company's Consolidated Financial Statements) regarding proceedings against group companies relating to environmental quality laws and regulations. With respect to some of these proceedings, the managements of the Company and the Consolidated Companies believe, based on the opinions of their legal advisors, that it is not possible at this stage to assess their effect, if any, on the Consolidated Financial Statements; accordingly, no provisions in respect thereof have been included in the financial statements.

Our opinion is not modified in respect of these matters.

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Other matter

The Company's separate financial information for the year ended December 31, 2023 was audited by other independent auditors, the reports of which - dated March 13, 2024 - included an opinion without change from the uniform version as well as an emphasis of matter to the Separate Financial Information (including by way of reference to Note 20C to the Company's Consolidated Financial Statements) regarding the Government of Israel's resolution dated March 6, 2022 on the strategy for the development and advancement of the Haifa Bay, which includes forming a government team to negotiate with the Company, with the aim of reaching an arrangement to discontinue petrochemical manufacturing by the Group's companies, while maintaining energy security and regular fuel supply to the Israeli economy; as well as to Note 20A(4) to the Financial Statements regarding proceedings against Group companies in connection with environmental laws and regulations.

Duties of the Board of Directors and Management with respect to the Separate Financial Information

The Board of Directors and Management are responsible for the preparation and presentation of the Separate Financial Information in accordance with the provisions of Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970, and for the internal control in accordance with the requirements of the Board of Directors and Management in order to enable the preparation of separate financial information without material misstatement, whether due to fraud or error.

In preparing the Consolidated 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 associated with the Company as a going concern as well as applying the going concern basis of accounting to the Separate Financial Information 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.

The independent auditor's responsibilities for the audit of the Separate Financial Information

Our objectives are to obtain reasonable assurance about whether the Separate Financial Information as a whole is free from material misstatement, whether due to fraud or error, and to issue an independent auditor's special 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 the Separate Financial Information.

In an audit conducted in accordance with generally accepted auditing standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- Identify and assess the risks of material misstatement of the Separate Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and Management.

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- Conclude on the appropriateness of the Board of Directors' and Management's use 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 Special Report to the related disclosures in the Separate Financial Information or, if such disclosures are inadequate, to modify the uniform wording of the Special Report. Our conclusions are based on the audit evidence obtained up to the date of our Special Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the Separate Financial Information's presentation as a whole, its structure and content, including the disclosures, and whether the Separate Financial Information was prepared, in all material respects, in accordance with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970.

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 the independent auditor identifies during the audit.

Tel Aviv,	Kost Forer Gabbay & Kasierer
March 25, 2026	Certified Public Accountants

Bazan Ltd. - Data on the Separate Financial Position, in USD millions

	Note	As at December 31 December 31, 2025	 December 31, 2024
Current assets			
Cash and cash equivalents		487	529
Deposits		–	1
Trade receivables		482	454
Other receivables and debit balances		153	107
Financial derivatives		17	3
Inventories		499	582
Total current assets		**1,638**	**1,676**
Non-current assets			
Investments with respect to investees, net	3A	860	1,021
Loan to Company for Early Pension Haifa Ltd.		20	19
Long-term receivables and debit balances		1	4
Long-term loans to investees	7F, 7G	70	10
Financial derivatives		53	7
Property, plant and equipment, net		1,409	1,336
Right-of-use assets, net		115	115
Intangible assets and deferred expenses, net		27	24
Total non-current assets		**2,555**	**2,536**
Total assets		**4,193**	**4,212**

Moshe Kaplinsky	Rafael Maman	Guy Liberman
Chairman of the Board of Directors	**CEO**	**CFO & EVP Strategy**

Approval date of the financial statements: March 25, 2026

The additional information attached to the Separate Financial Information is an integral part thereof

Bazan Ltd. - Data on the Separate Financial Position, in USD millions - cont.

	Note	As at December 31 December 31, 2025	 December 31, 2024
Current liabilities			
Loans and borrowings (including current maturities)		177	204
Trade payables		777	835
Other payables and credit balances		124	155
Financial derivatives		5	15
Provisions		5	4
Total current liabilities		**1,088**	**1,213**
Non-current liabilities			
Liabilities to banks, net		376	333
Debentures, net		694	582
Other long-term liabilities		114	82
Financial derivatives		3	36
Employee benefits, net		20	32
Deferred tax liabilities, net	4C	152	170
Total non-current liabilities		**1,359**	**1,235**
Total liabilities		**2,447**	**2,448**
Equity			
Share capital		812	811
Share premium		32	31
Capital reserves		(3)	13
Retained earnings		905	909
Total equity		**1,746**	**1,764**
Total liabilities and equity		**4,193**	**4,212**

The additional information attached to the Separate Financial Information is an integral part thereof

Bazan Ltd. - Separate Profit and Loss and Other Comprehensive Income Data, in USD millions

	Note	For the year ended December 31 2025	2024	2023
Revenues		5,376	6,959	7,731
Cost of sales		(5,165)	(6,572)	(6,990)
Gross income		**211**	**387**	**741**
Selling and marketing expenses		(41)	(63)	(43)
General and administrative expenses		(35)	(33)	(33)
Revenues from loss of income insurance		131	–	–
Other revenues (expenses), net		2	10	(3)
Operating income		**268**	**301**	**662**
Finance income		20	28	27
Finance expenses		(117)	(114)	(118)
Finance expenses, net		**(97)**	**(86)**	**(91)**
Company's share in losses of investees, net of tax		(94)	(65)	(70)
Profit before income tax		**77**	**150**	**501**
Expenses for income tax	4B	(30)	(37)	(93)
Net income for the year		**47**	**113**	**408**
Items of other comprehensive income (loss) to be carried to profit and loss:				
Other comprehensive income (loss) for investees, net of tax		(5)	3	(9)
Effective share of the change in fair value of cash flow hedges, net of tax		(8)	7	(17)
Other, net		–	–	(1)
Other comprehensive income (loss), to be carried to profit and loss, net of tax		**(13)**	**10**	**(27)**
Items of other comprehensive income (loss) not carried to profit and loss:				
Remeasurement of defined benefit plan, net of tax		(1)	–	2
Other comprehensive income (loss) for investees, net of tax		(4)	–	1
Other comprehensive income (loss), not carried to profit and loss, net of tax		**(5)**	**–**	**3**
Total other comprehensive income (loss) for the year, net of tax		**(18)**	**10**	**(24)**
Comprehensive income for the year		**29**	**123**	**384**

The additional information attached to the Separate Financial Information is an integral part thereof

Bazan Ltd. - Data on the Separate Cash Flows, in USD millions

	For the year ended December 31		
	2025	2024	2023
Cash flows from operating activities			
Net income for the year	**47**	**113**	**408**
Adjustments required to present cash flows from operating activities:			
Revenues and expenses not involving cash flows (Appendix A – Section A)	314	224	312
	361	**337**	**720**
Changes in Assets and Liabilities Line Items (Appendix A - Section B)	(77)	168	(17)
Income tax paid, net	(65)	(72)	(1)
Net cash provided by operating activities	**219**	**433**	**702**
Cash flows used in investing activities			
Interest received	11	22	26
Interest received from investees	5	6	4
Change in deposits, net	(2)	66	(13)
Dividend received from investees	100	–	–
Advance payment from the Compensation Fund for direct damage	48	–	–
Provision of long-term loans to investees	(60)	–	–
Change in cash provided by investing activities with investees, net (1)	(30)	(9)	(20)
Repayment of a loan from Early Pension Haifa	–	15	–
Purchase of property, plant & equipment (including periodic maintenance work) (2)	(219)	(165)	(135)
Net cash used in investing activities	**(147)**	**(65)**	**(138)**
Cash flows used in financing activities			
Change in deposits, net	24	6	(26)
Interest paid	(99)	(99)	(110)
Interest paid to investees	(4)	(9)	(9)
Derivative transactions, net	(1)	(2)	(1)
Change in cash provided by financing activities with investees, net	(7)	(12)	11
Repayment of long-term loans from an investee	–	–	(100)
Receipt of long-term loans from banks (3)	140	152	120
Repayment of long-term bank loans, including early repayment (3)	(100)	(201)	(97)
Repayment of debentures	(146)	(149)	(203)
Issue of debentures, less issuance expenses	132	135	57
Share buyback	–	(10)	(23)
Dividend paid	(50)	(174)	(250)
Net cash used in financing activities	**(111)**	**(363)**	**(631)**
Net increase (decrease) in cash and cash equivalents	**(39)**	**5**	**(67)**
Effect of exchange rate fluctuations on balances of cash and cash equivalents	(3)	(5)	–
Cash and cash equivalents at the beginning of the year	529	529	596
Cash and cash equivalents at the end of the year	**487**	**529**	**529**

(1) For details, see Note 7G.

(2) The reporting period includes a total of approx. USD 50 million (and subsequent to the reporting period, approx. USD 18 million), for renovations due to damage incurred during Operation Rising Lion. See also Note 1C to the Consolidated Financial Statements.
For details regarding periodic maintenance work in 2024-2025, see Note 11A to the Consolidated Financial Statements.

(3) For details regarding securing loans and early repayment of loans during the reporting period, see Note 13A3 to the Consolidated Financial Statements.
In 2024, the Company secured new loans totaling approx. USD 152 million, some of which was used for full repayment of existing loans totaling approx. USD 101 million. In 2023, the Company took out a new loan totaling approx. USD 80 million, part of which was used for full repayment of an existing loan totaling approx. USD 36 million.

The additional information attached to the Separate Financial Information is an integral part thereof

Bazan Ltd. - Data on the Separate Cash Flows, in USD millions - cont.

Appendix A - Adjustments Required to Present Cash Flows from Operating Activities

	For the year ended December 31		
	2025	2024	2023
A. Revenue and expense items not involving cash flows			
Depreciation and amortization	112	92	85
Other expenses (income), net	(2)	(10)	3
Finance expenses, net	95	90	89
Change in the balance of inventory and margins derivatives	(15)	(50)	(28)
Share in losses of investees, net	94	65	70
Expenses for income tax	30	37	93
	314	**224**	**312**
B. Changes in Assets and Liabilities Line Items			
Change in trade receivables	(28)	31	(26)
Change in other receivables and debit balances	(50)	66	(32)
Change in inventories	83	45	(34)
Change in trade payables	(69)	25	100
Change in other payables, credit balances and provisions	(7)	1	(25)
Change in employee benefits, net	(6)	–	–
	(77)	**168**	**(17)**

The additional information attached to the Separate Financial Information is an integral part thereof

NOTE 1 - GENERAL

A. The Separate Financial Information of the Company as at December 31, 2025 are presented in accordance with the provisions of Regulation 9C and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970. This information should be read in conjunction with the consolidated financial statements as at December 31, 2025 (hereinafter - the "Consolidated Financial Statements").

B. **Definitions:**

The Company - Bazan Ltd.

Consolidated companies - companies and partnerships, the financial statements of which are fully consolidated with the financial statements of the Company.

Investees - consolidated companies and partnerships and companies and partnerships in which the Company's investment is accounted for, whether directly or indirectly, in the financial statements according to the equity method.

NOTE 2 - MATERIAL ACCOUNTING POLICIES

The Separate Financial Information has been prepared and presented in accordance with the accounting policies set out in Notes 2 and 3 to the consolidated financial statements, except for the amounts of assets, liabilities, revenues, expenses and cash flows for investees, as detailed below:

A. The assets and liabilities are stated at their value in the Company itself as a parent company and according to their classification in the Consolidated Financial Statements attributable to the Company itself as the parent company, excluding the net asset and liabilities balances attributed to investees and presented in this report under the 'Investments' line item with respect to investees.

B. Investments with respect to investees reflect the net amount, based on the Consolidated Financial Statements, attributable to the Company out of the total assets less the total liabilities with respect to the investees.

C. The amounts of the revenues and expenses reflect revenues and expenses included in the financial statements attributable to the Company itself as a parent company, with breakdown between profit or loss and other comprehensive income, excluding revenues and expenses for investees, with breakdown according to classification of the revenues and expenses by type.

D. The Company's share in the results of the investees is presented as a net amount of the total revenue less total expenses based on the Consolidated Financial Statements for the operating results of investees.

E. The cash flow amounts include a breakdown of the cash flows included in the financial statements attributable to the Company itself (excluding investees), taken from the consolidated statement of cash flows, with breakdown according to cash flow from operating, investing and financing activities, and details of their components. Cash flows for operating activities, investing activities and financing activities for transactions with investees are presented separately, in net figures, under the relevant item based on the nature of the transaction.

F. Balances, revenues and expenses for transactions with investees, which were derecognized in the consolidated financial statements, are measured and stated under the relevant items in the statements of financial position and comprehensive income, in the same way they would have been measured and stated had they been carried out with third parties. Deferred net income (losses) are stated net (with the addition) of the Company's share in the profits (losses) of investees and investments in investees.

NOTE 3 - INVESTEES

For details regarding investees, see Note 9 to the Consolidated Financial Statements.

It is noted that for the purpose of disclosure in this note: (1) The financial data pertaining to the investment in Ducor, which is held through a wholly-owned subsidiary of Carmel Olefins, are presented separately from the Company's direct investments in Carmel Olefins; (2) The financial data for the investment in Energil (Energil LLC) includes the Company's share in the Cantium Partnership.

A. Investments in investees

Company name	Share of capital, voting rights and authority to appoint directors	No. of shares [(1)]	Total par value	Balance of investment	
				As at December 31, 2025	As at December 31, 2024
			In NIS	In USD millions	
Carmel Olefins	100%	31,200,000	312,000,000	707	861
Ducor	100%	11,211	18,895,860	2	28
Gadiv	100%	4,500,000	45,000,000	69	94
Energil	100%	N/A	N/A	51	–
Others				31	38
Total				**860**	**1,021**

(1) Ordinary shares.

B. Additional Data on the Investments in Investees

For the year ended December 31, 2025, in USD millions						
Company name	Company's share of net income (loss) [(1)]	Amortization of excess costs, net of tax	Company's share in other comprehensive loss, net of tax	Dividend	Investment	Interest revenues (expenses)[(3)]
Carmel Olefins	(38)	(8)	(3)	(100)	–	(2)
Ducor	(24)	(6) [(4)]	(2)	–	–	–
Gadiv	(26)	–	–	–	–	5
Energil	11	–	–	–	40	2
Others	(3) [(2)]	–	(4)	–	2	–
Total	**(80)**	**(14)**	**(9)**	**(100)**	**42**	**5**

NOTE 3 - INVESTEES (cont.)

B. Additional Data on the Investments in Investees - cont.

For the year ended December 31, 2024, in USD millions					
Company name	Company's share of net income (loss) [1]	Amortization of excess costs, net of tax	Company's share in other comprehensive income, net of tax	Repayment of capital note	Interest revenues (expenses)[3]
Carmel Olefins	(21)	(8)	2	–	(9)
Ducor	(11)	(1)	1	–	–
Gadiv	(26)	–	–	–	6
Others	2 [2]	–	–	(7)	(1)
Total	**(56)**	**(9)**	**3**	**(7)**	**(4)**

(1) Excluding amortization of excess costs.
(2) Including unrealized gains.
(3) Interest revenues (expenses) in respect of balances between the Company and the subsidiaries.
(4) Including mainly impairment loss, see Note 11C to the Consolidated Financial Statements.

NOTE 4 - INCOME TAX

A. General

The Company is taxable in Israel under the provisions of the Income Tax Ordinance (New Version), 1961. For further details regarding the tax environment in which the Company operates, and the provisions of the law and the standards affecting it, see Note 16A to the consolidated financial statements.

B. Expenses (income) for income tax components

	For the year ended December 31		
	2025	2024	2023
Current tax expenses	22	20	95
Tax expenses in respect of previous years [1]	23	–	–
Deferred tax expenses (revenues)	(15)	17	(2)
Expenses for income tax	**30**	**37**	**93**

(1) For details, see Note 16B to the Consolidated Financial Statements.

Bazan Ltd. - Additional Information to Separate Financial Information, in USD millions

NOTE 4 - INCOME TAX - cont.

C. Recognized Deferred Tax Assets and Liabilities and Movements Therein:

	Property, plant and equipment	Employee benefits	Others	Total
Deferred tax asset (liability) as at January 1, 2024	(168)	12	(2)	(158)
Changes recognized directly in other comprehensive income or equity	–	–	5	5
Changes recognized directly in profit and loss	(10)	(1)	(6)	(17)
Deferred tax asset (liability) as at December 31, 2024	**(178)**	**11**	**(3)**	**(170)**
Changes recognized directly in other comprehensive income	–	–	3	3
Changes recognized directly in profit and loss	17	(1)	(1)	15
Deferred tax asset (liability) as at December 31, 2025	**(161)**	**10**	**(1)**	**(152)**

D. For further details regarding the Company's income tax and tax assessments, see Note 16 to the Consolidated Financial Statements.

NOTE 5 - CONTINGENT LIABILITIES, COMMITMENTS, GUARANTEES AND LIENS, AND OTHER SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A. For details regarding guarantees and liens, see Note 19 to the Consolidated Financial Statements.

B. For details regarding contingent liabilities, commitments and developments and other significant events in the reporting period, including in connection with the government resolution to develop and advance Haifa Bay, see Note 20 to the Consolidated Financial Statements.

C. For details regarding loans and credit from banks and others, including changes therein in the reporting period and financial covenants applicable to the Company, see Note 13 to the Consolidated Financial Statements.

D. For details regarding the Company’s debentures, including issuance of debenture series during the reporting period and financial covenants applicable to the Company, see Note 14 to the Consolidated Financial Statements.

E. For details regarding the impact of the War and the security situation, as well as the war in Ukraine, on the Company’s operating results, see Notes 1C and 1D to the Consolidated Financial Statements.

NOTE 6 - FINANCIAL INSTRUMENTS

A. Liquidity risk

As at December 31, 2025 and 2024, over 90% of the Group’s long-term financial liabilities (for which contractual cash flows exceed one year) were taken by the Company (separate). Consequently, in the opinion of the Company's management, the liquidity analysis presented in Note 30B of the Consolidated Financial Statements provides sufficient information for understanding and analysis of the Company’s liquidity risk.

NOTE 6 - FINANCIAL INSTRUMENTS - cont.

B. Index and foreign currency risks

As at December 31, 2025 and 2024, a major part of the Group's exposure to index risk and foreign currency risk stems from the Company. Consequently, in the opinion of the Company's management, the exposure analysis presented in Note 30C of the Consolidated Financial Statements provides sufficient information for understanding and analysis of the Company's CPI and foreign currency risks.

NOTE 7 - MATERIAL AGREEMENTS WITH INVESTEES

A. Inventory agreement for spare parts, chemicals and supplementary materials

The Company engaged in an agreement with subsidiaries operating in Israel that came into force on January 1, 2012, under which the Company manages the inventory of space parts, chemicals and supplementary materials for all the Group companies, and service agreements with various service providers and contractors. For this purpose, the subsidiaries sold to the Company, on said date, their inventories as described above. Items are purchased from the Company's inventory at the price of the item in the Company's books on the date of each future sale. Contractor services are provided at the actual cost basis to the Company. Inventory financing and maintenance costs are allocated among the Bazan Group companies pro rata to the inventories held by each company on the date of sale of the inventories and an updated mechanism was set for determining the pro rata percentage.

B. Agreement of the Division of Headquarters Expenses

The Company engaged in an agreement with subsidiaries operating in Israel that came into force on January 1, 2011, to regulate provision of management services and head office running functions between Bazan Group companies, and attribution of payroll costs paid to third parties by the head office units of the Group companies, to the company receiving the relevant service. The agreement benefits the companies, in the ordinary course of business and at market conditions. The transaction was approved by the Board of Directors of the Company.

C. Agreements to supply feedstock to Carmel Olefins

The Company engaged in feedstock supply agreements with Carmel Olefins that include the Company's undertakings to supply raw material based on a price formula agreed upon between the companies and based on, as applicable, global prices. As at 2013 (since the switch to full use of natural gas) the Company and Carmel Olefins reached understandings regarding updating and changing prices for some of the raw materials that Carmel Olefins buys from the Company and for byproducts that Carmel Olefins sells to the Company, such that they will be based on the weighted price per energy unit at the Company's plants while taking the mix of energy sources actually used (natural gas or fuel oil) and their prices into account. The agreements are valid for one year and are renewed automatically for additional periods of one year each, unless prior notice is given by either of the parties concerning non-renewal of the agreements. The foregoing right to give prior notice is not applicable to the existing agreements for the supply of raw materials and byproducts between the companies, in which defined periods and quantities were set.

The agreements were approved by the boards of directors of Carmel Olefins and of the Company.

NOTE 7 - MATERIAL AGREEMENTS WITH INVESTEES - cont.

D. Processing and raw material purchase agreement with Gadiv

Under agreements between the Company and Gadiv, reformate produced by the Company and dripolene that the Company purchases from Carmel Olefins are supplied to Gadiv for processing in its plant. In exchange for processing and returning of flows, such as C-9, raffinate, toluene and Xylene to Bazan, Gadiv receives processing fees from the Company, which is calculated according to a formula set by the parties. Gadiv purchases from the Company all the benzene that it uses and the entire quantity of toluene and xylene that was not returned to the Company, as well as naphtha, C-9 and raffinate, in certain quantities, based on price formulas agreed upon between the companies and on global prices.

The term of the agreements is one year, and they are renewed automatically for one-year periods each, unless one of the parties gave advance notice regarding non-renewal of the agreement, and/or if Bazan stops being Gadiv's only shareholder.

E. Receipt of loans from Carmel Olefins

In 2021, the Company and Carmel Olefins signed an agreement whereby the Company will receive loans from Carmel Olefins, as follows: Loan at the principal amount of USD 100 million to be repaid in a single installment on June 30, 2023, with an option to extend the term of the loan to December 31, 2023. The loan bore annual interest at the rate of 3.35% per year, which, in management's opinion, reflected prevailing market rates as at the inception date. On December 31, 2023, the loan was repaid in full.

F. Long-term loan made to Gadiv

In 2022, the Company provided a long-term loan to Gadiv totaling approx. USD 10 million, to be repaid in a single installment on December 31, 2024, with an option to extend the term of the loan to December 31, 2026. The loan bears fixed interest at the rate of 8%, which reflected, in the opinion of the Company's management, prevailing market rates as at the inception date. In 2023, the loan's repayment date was extended until December 31, 2026. During the reporting period, an amendment was signed extending the loan's repayment date until December 31, 2027.

G. Investment to acquire interests in US energy corporation Cantium

Further to Note 20B6 to the Consolidated Financial Statements, in order to finance the investment in the Cantium Partnership (via Energil), the Company invested approx. USD 40 million in Energil and extended to it a long-term loan of approx. USD 60 million.. The loan, plus accrued interest, will be repaid within a period of up to 5 years, carrying an annual interest rate of SOFR plus a 4.5% spread, which reflects, in the opinion of the Company's management, market conditions as at inception date.

H. Borrowings by the Group companies

As at December 31, 2025 and December 31, 2024, the short-term borrowings balances between the Group companies (presented in the separate information on the financial position under other receivables and debit balances and/or other payables and credit balances, as applicable) bear a SOFR rate plus 2.1% interest.

I. Dividend

1. For details regarding dividend distribution policy and dividends declared and paid by the Company during the reporting period and thereafter, see Note 21C to the Consolidated Financial Statements.

Bazan Ltd. - Additional Information to Separate Financial Information, in USD millions

NOTE 7 - MATERIAL AGREEMENTS WITH INVESTEES - cont.

I. Dividend - cont.

2. During the reporting period, Carmel Olefins' Board of Directors approved a dividend distribution totaling approx. USD 100 million, which was received in the reporting period.

3. For details regarding the restrictions that apply to the Company in connection with the distribution of dividends under the financing agreements and the deeds of trust, see Notes 13 and 14 to the Consolidated Financial Statements.

J. Leasing of land

With regard to the land leased by the Company to Carmel Olefins and Gadiv, see Notes 11B and 12B to the Consolidated Financial Statements.

K. Guarantees provided by the Company to consolidated companies

With regard to guarantees provided by the Company to Group companies and receipt of guarantees from Group companies, see Note 13B to the Consolidated Financial Statements.

L. Balances with investees

	As at December 31	
	2025	2024
	Asset (liability)	
Trade receivables	79	67
Other receivables and debit balances	81	91
loans granted	70	10
Trade payables	(4)	(5)
Other payables and credit balances	(6)	(8)
Total balances	**220**	**155**

M. Transactions with investees

	For the year ended December 31		
	2025	2024	2023
Revenues	432	658	682
Operating expenses [(1)]	(64)	(71)	(48)
Interest revenues (expenses), net	5	(4)	(4)
Total transactions	**373**	**583**	**630**

(1) Due to the state of war in Israel (see Note 1C to the Consolidated Financial Statements), as at the beginning of 2024, increased use was made of the vessels, which Trading leases for the Company's activity.

NOTE 8 - ADDITIONAL SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

See Note 31 to the Consolidated Financial Statements.