

Haifa Port Company Limited

Financial Statements for the
FY - 2025-26



גאווה ישראלית, עוצמה עולמית

Haifa Port Company Ltd. Financial Statements

as of
December 31, 2025

Auditor's report to the shareholders of the
Haifa Port Company Ltd.

	<u>Page</u>
Auditor's Report	3
Statements of Financial Position	4-5
Statements of Income and Loss and Comprehensive Income	6
Statements of Changes in Equity	7
Statements of Cash Flows	8-9
Notes to the Financial Statements	10-93



גאווה ישראלית, עוצמה עולמית

Auditor's report to the shareholders of the
Haifa Port Company Ltd.



גאווה ישראלית, עוצמה עולמית

Statements of financial position

	Note	As of December 31	
		2025	2024
		Thousands of NIS	
Current Assets:			
Cash and cash equivalents	3	1,361,938	81,957
Financial assets	4	349,534	334,984
Short-term deposits		158	1,271,028
Trade accounts receivable, net	5	9,604	7,967
Accounts receivable and debit balances	6	41,959	50,080
		<u>1,763,193</u>	<u>1,746,016</u>
Non-current assets:			
Fixed assets and right of use asset	8	927,670	966,652
Intangible assets	9	13,649	14,681
Mutual Aid and Savings Fund	7	27,225	28,105
Financial assets designated for the payment of employee-benefits	16	496,284	545,959
Investment real estate	12	426,444	417,200
Long-time investments		496,105	473,258
Israel Ports Company Ltd.	10	114,427	134,052
		<u>2,501,804</u>	<u>2,579,907</u>
		<u>4,264,997</u>	<u>4,325,923</u>

גאווה ישראלית, עוצמה עולמית

The notes to the financial statements are an integral part thereof

Statements of financial position

	Note	As of December 31	
		2025	2024
		Thousands of NIS	
<u>Current Liabilities:</u>			
Trade accounts payable	13	43,902	45,406
Employees and institutions in respect of payroll and related expenses	14	32,658	73,975
Accounts payable and credit balances	15	155,544	98,942
Current maturities of leasing liabilities	2(g)	4,775	3,327
Dividend payable	27(a)	-	55,000
Liability in respect of privatization grants to employees	16(g)	1,000	1,000
		237,879	277,650
<u>Non-current Liabilities:</u>			
Liabilities in respect of employee benefits	16(e)	442,029	460,796
Leasing liabilities	8(e)	111,334	109,990
Deferred Taxes	24(e)	56,154	24,093
		609,517	594,879
<u>Capital attributable to the Company's shareholders:</u>			
Share capital	17	1	1
Premium on shares		1,074,909	1,074,909
Retained earnings		973,431	1,009,224
Capital reserve		1,369,260	1,369,260
		3,417,601	3,453,394
		4,264,997	4,325,923

Sumit Chauhan
Member of the Board

David Cohen
Acting General Manager

Shirley Hellman
Harush
Chief Financial and
Economics Officer

Date of approval: February 17, 2026.

The notes to the financial statements are an integral part thereof

Statements of income and loss and comprehensive income

	Note	Year ended December 31	
		2025	2024
		Thousands of NIS	
<u>Revenues from rendering of services</u>	19	771,842	680,398
<u>Cost of revenues</u>	20	(568,167)	(523,591)
<u>Gross Profit</u>		203,675	156,807
General and administrative expenses	21	(101,020)	(102,933)
Implementation of retirement plans	16(e)	(25,427)	(90,879)
Other expenses, net	22	(55)	(2,444)
Increase in the value of investment real estate	12	-	46,908
<u>Operating income</u>		77,173	7,459
Financing income	23	132,091	113,480
Financing expenses	23	(409)	(459)
		131,682	113,021
<u>Income before income taxes</u>		208,855	120,480
Income tax expenses	24(f)	(53,020)	(23,316)
<u>Income for the period</u>		155,835	97,164
Actuarial losses, net of tax		(4,628)	(279)
<u>Comprehensive income</u>		151,207	96,885

The notes to the financial statements are an integral part thereof

Statements of changes in equity

For the year ended December 31

	Share Capital	Premium on shares	Capital reserve	Retained earnings	Total Equity
	Thousands of NIS				
Balance as of January 1, 2024	1	1,074,909	1,369,260	977,339	3,421,509
Dividend distribution	-	-	-	(65,000)	(65,000)
Net income	-	-	-	97,164	97,164
Other comprehensive loss in respect of actuarial margins, net of tax	-	-	-	(279)	(279)
Balance as of January 1, 2025	1	1,074,909	1,369,260	1,009,224	3,453,394
Dividend Distribution	-	-	-	(187,000)	(187,000)
Net income	-	-	-	155,835	155,835
Other comprehensive loss in respect of actuarial margins, net of tax	-	-	-	(4,628)	(4,628)
Balance as of December 31, 2025	1	1,074,909	1,369,260	973,431	3,417,601

(*) Less than NIS 1,000

גאווה ישראלית, עוצמה עולמית

The notes to the financial statements are an integral part thereof

Statements of Cash Flows

	For the year ended December 31	
	2025	2024
	Thousands of NIS	
<u>Cash flows from current operations</u>		
Net income	155,835	97,164
<u>Adjustments needed to view cash flows from current operations:</u>		
<u>Adjustments to comprehensive income items:</u>		
Depreciation and amortization	68,401	63,266
Gain on revaluation of financial assets and designated financial assets	(133,017)	(112,507)
Income taxes	53,020	23,316
Loss (gain) on the realization and derecognition of fixed assets and changes in the provision for impairment	2,814	(551)
Gain on the increase in the value of investment real estate	-	(46,908)
Leasing income	(428)	(1,755)
Total	(9,210)	(75,139)
<u>Changes in asset and liability items:</u>		
Decrease (increase) in trade accounts receivable, net	(1,637)	6,334
Decrease in accounts receivable and debit balances	34,641	13,176
Decrease in the balance of Israel Ports Company Ltd.	(1,399)	(16,687)
Decrease in trade accounts payable	(105)	(8,774)
Increase (decrease) in employees and institutions for wages and related expenses	(39,944)	11,223
Increase in accounts payable and credit balances	38,583	27,358
Change in liabilities for employee benefits	(28,534)	(58,380)
Change in the liabilities in respect of the privatization grant to employees	-	(3,393)
Total	1,605	(29,143)
Net cash provided by (used in) current operations	148,230	(7,118)
<u>Cash flows from investment activities</u>		
Receipt from the ILA in respect of an investment (see Note 12(2))	-	97,436
Acquisition of fixed assets, net	(28,390)	(61,123)
Acquisition of intangible assets	(2,233)	(2,337)
Investment in investment real estate, net	(9,244)	(10,942)
Change in short-term deposits, net	1,270,870	(179,280)
Realization of financial assets, net	145,294	193,490
Change in a long-term debit balance - mutual aid fund	880	1,852
Net cash provided by investment activity	1,377,177	39,096

The notes to the financial statements are an integral part thereof

Statements of Cash Flows

	For the year ended December 31	
	2025	2024
	Thousands of NIS	
Cash flows from financing activities:		
Dividend paid	(242,000)	(152,000)
Leasing payments	(3,426)	(3,408)
Net cash used in financing activities	(245,426)	(155,408)
Increase (decrease) in cash and cash equivalents	1,279,981	(123,430)
Balance of cash and cash equivalents, beginning of the period	81,957	205,387
Balance of cash and cash equivalents, end of the period	1,361,938	81,957

Appendix A – Additional information regarding cash flows from operating activities

	For the year ended December 31	
	2025	2024
	Thousands of NIS	
Cash paid and received during the period for:		
Interest received	154,788	93,281
Taxes paid, net	(111)	(4,673)
Total cash received	154,677	88,608

Appendix B – Material non-cash activity

	For the year ended December 31	
	2025	2024
	Thousands of NIS	
Recognition of a dividend payable against retained earnings	-	55,000

The notes to the financial statements are an integral part thereof

Notes to the financial statements

Note 1 General

A. Company

The Company was founded on July 21, 2004 pursuant to the provisions of the Shipping and Ports Authority Law, 5764-2004 (hereinafter: the Law) dated July 20, 2004 and commenced its business activities on February 17, 2005. In accordance with the provisions of the Law, which went into effect on February 17, 2005 (hereinafter: the commencement date), the Ports Authority was abolished and in its place the Shipping and Ports Authority was established in the Ministry of Transport to supervise shipping and ports, their development, promotion and regulation of their activities.

Shortly thereafter, following the enactment of the Law, four government companies, wholly-owned by the Government of Israel, were established: Haifa Port Company Ltd., Ashdod Port Company Ltd., Eilat Port Company Ltd. (hereinafter: "Port Companies") and Israel Ports Development and Properties Ltd. (hereinafter: "IPC"). In 2013, Eilat Port Company Ltd. was privatized.

On January 10, 2023, the privatization process of the Company was completed.

B. Writ of Authorization

Pursuant to the writ of authorization granted to the Company in 2005, pursuant to Article 10 of the Law (hereinafter: the "Writ of Authorization"), the objectives of the Company are as follows:

"The Port Company shall operate the Port on the Port Company's premises, maintain and provide port services and related services as stated in this writ of authorization, while maintaining safety and environmental quality, in a manner that ensures the proper and efficient operation of the Port Company's premises, at a level appropriate to the needs of the Port, its customers and users, and with the aim of meeting the requirements of the economy and operating the Port Company's territory as a competitive port, which also serves as a logistics center, which implements updated technologies and employs modern work methods and will act at all times to improve port services."

In September 2009, the Ministerial Committee on Privatization decided on the outline according to which the Haifa Port Company and the Ashdod Port Company would be privatized by way of the sale of all state holdings in the port companies. In December 2018, an agreement of principles was signed between the Company and the Histadrut, in which it was determined that a procedure for selling 100% of the Company's shares to a strategic investor as soon as possible was publicized. In January 2020, the reform agreement was signed. (See also Note1(k) below).

Notes to the financial statements

Note 1 General (cont.)

B. Writ of Authorization (cont.)

In January 2020, the ministerial committee on privatization decided to privatize all of the state's holdings in Haifa Port Company by way of a private sale, as a single unit, of all the Company's shares (100%) to a strategic buyer, combined with raising capital for the Company through the allocation of the Company's shares to the buyer (hereinafter: the "sale" or the "sale process"), so that an amount of the sale proceeds not exceeding NIS 1 billion would be invested in the Company's capital (hereinafter: the "Investment Amount") and the balance of the sale proceeds exceeding NIS 1 billion would be transferred to the State of Israel (see also Note 1(k) below).

In August 2019 and September 2020, agreements were signed between the Company and IPC regarding the transfer of the activities of the Marine Department and all its employees from the Company to IPC or to a subsidiary of IPC while maintaining the salary and employment conditions of the employees. All of the activities, assets and liabilities of the Marine Department, including the current area of operations of the Marine Department, office buildings, the observation tower, the anchorage as well as all of the department's operational assets, such as tugboats and others, were transferred to IPC. In light of the above, the Company's writ of authorization was updated in October 2020.

In accordance with the aforementioned updated writ of authorization, which is valid until February 16, 2054, the Company is authorized to operate the following services in Haifa Port, as defined in the writ of authorization:

- 1) Mandatory services – including, *inter alia*, cargo handling and storage, passenger services, services for vessels, supply of water and fuel for vessels, and other mandatory services according to any law.
- 2) Voluntary services – additional ancillary services to the mandatory services, including maintenance of vessels and their equipment, cargo counting services, provision and food services for vessels, container services, additional logistics services and other services for the benefit of the users of the port and any other activity related to the performance of operations and fulfillment of the services which the port company were permitted to render, as well as consulting services in the field of procurement, including tenders, shipping and ports, and technological innovation and information systems in a knowledge-intensive environment.

Notes to the financial statements

Note 1 General (cont.)

B. Writ of Authorization (cont.)

The writ of authorization contains a number of restrictions and stipulations as follows:

The Minister of Transport, with the consent of the Minister of Finance, in consultation with the Shipping and Ports Authority, after giving the Company an opportunity to voice its claims, may change the conditions of authorization, add to them or subtract from them. In this regard, considerations will be taken into account, *inter alia*, such as: maintaining an adequate level of safety and environmental quality, providing port services in an efficient and professional manner, financial expenses that will be incurred by the port company or the impact on its financial fortitude, reasons for the needs of the economy and the public good, etc.

The Minister of Transport, in consultation with the Shipping and Ports Authority and after giving the Company an opportunity to voice its claims, may, at any time, cancel or limit the authorization of the Company as a Company, *inter alia* on the following grounds: If any of the conditions of eligibility cease to exist under the Shipping Authority Law, an order has been issued for the liquidation of the Company or a receiver has been appointed (if the order is not cancelled within a certain period), if a substantive provision or condition prescribed by law or qualification is violated (which cannot be corrected or has not corrected within the prescribed period), a continuing violation of a provision or condition prescribed in the Shipping Act or the letter of authorization.

For this matter, a material provision or condition includes: non-payment of a substantial part of the fixed or variable user fees or the amounts of fees collected, the Company stopped paying, unlawfully restricted or delayed port service that it was obligated to render, refused to provide information required of it by law, etc.

In addition, the Minister of Transport may, in consultation with the Shipping and Ports Authority, and after giving the Company an opportunity to voice its arguments, cancel or limit the authorization, if he considers that this is necessary in order to meet the needs of the economy or for reasons of the public good.

If the authorization of the Company is revoked as stated in this section above, the rights of the port company in the operating areas of the port shall expire and they shall belong to the State or to another authorized corporation, as determined by the ministers of finance and transportation. If the Company's authorization is limited, its rights in the port's operating areas will be expropriated in whole or in part, as determined by the Minister of Transport.

The tariffs for port services were set in the Supervision Order on Prices of Goods and Services (Prices of Port Services), 5770-2010, pursuant to the Supervision of Prices of Goods and Services Law, 5756-1996 (hereinafter: the Supervision Law).

Notes to the financial statements

Note 1 General (cont.)

B. Writ of Authorization (cont.)

In March 2021, the Minister of Transport and Road Safety signed an updated writ of authorization that will go into effect only after and subject to the completion of the privatization process and the sale of all of the State's shares to a private investor. The main changes in the future letter of authorization deal with the issue of the Company's commercial activity in the area of the municipal sea front, various legal and financial aspects that will apply to the Company after its privatization (provision of a bank guarantee, provisions regarding restrictions on the transfer of control, etc.), aspects relating to a real estate agreement with IPC, and cancellation of relevant provisions in Appendix E to the original writ of authorization. Upon completion of the privatization, the updated letter of authorization was signed by the Minister of Finance and the Minister of Transport for Road Safety.

C. Opening balances

Pursuant to Section 51 of the Law, all assets and liabilities that the Port Authority had prior to the commencement date were converted on the commencement date into State property, except for liabilities for pension payments to employees who retired from the Port Authority before the commencement date, regarding which it was determined that they would become the property of the Port Authority as of that day.

Pursuant to sections 53 and 54 of the Law, the State transferred assets and liabilities to the port companies pursuant to decrees issued by the Ministers on February 20, 2005.

The assets and liabilities transferred to the Company on February 17, 2005 were estimated and recorded in its books according to the following principles:

- Current assets and liabilities were recorded according to the values transferred to the Company according to the books of the Port Authority. The net difference between assets and liabilities was carried to a capital reserve.
- Liabilities in respect of employee benefits were recorded according to an actuarial assessment made by an external actuary.
- Operating equipment was valued at its fair value on the day of transfer based on an external appraiser's assessment commissioned by the Company. The excess value as stated, above the cost on the Port Authority's books was credited to a capital fund.
- Property rights – see Section H below.

Notes to the financial statements

Note 1 General (cont.)

C. Opening balances (cont.)

The major principles used in estimating the value of the assets transferred on the date of commencement are as follows:

- Operational equipment was estimated according to its value as new and from which wear and tear was deducted due to use, according to the date of purchase and according to the physical condition of the equipment, taking into account improvements made to it up to the time of its valuation. Estimating its value as new was generally made based on available market prices. This valuation was prepared by a certified appraiser who serves as a representative of an international appraisal company in Israel. This appraiser also carried out an assessment in August 2005 of the value of the property at the port for the purpose of insuring the property. The fair value of the spare parts inventory was assessed by the Company. See also Note 2(e) and Note 2(f)(2).
- In accordance with Article 49 of the Law, the liabilities in respect of the rights of employees transferring to the Company were imposed on the Company and, on the other hand, to cover these liabilities, funds were transferred to the Company pursuant to the Order for the Transfer of Rights in Funds. The Company commissioned an actuarial opinion to assess the value of its liabilities under the agreements and the law, which apply between it and the employees.
- For balances arising from differences for tax purposes, see section G below.

D. Order for the Transfer of Rights in Real Estate and the Land Agreement

According to the Order for the Transfer of Rights in Real Estate, the real estate assets, including their appurtenances, were transferred from the State to IPC.

In accordance with Articles 9 and 10 of the Law, which stipulates that properties located within the port area will be made available for the use of the Company pursuant to the writ of authorization and for the use of corporations authorized by the Minister to provide port services in part of the port.

It should be noted that the Company does not own real estate assets that require registration in the land registry. The Company's usage rights to the land and the appurtenances are anchored in Article 57(11) of the Law and in the land agreement signed between the Company and IPC.

Notes to the financial statements

Note 1 General (cont.)

D. Order for the Transfer of Rights in Real Estate and the Land Agreement (cont.)

In September 2020, an agreement to furnish the property was signed between the Company and IPC, which is valid from January 1, 2021. Upon the entry into force of the land agreement, various arrangements were also canceled. The following are the main points of the land agreement:

- 1) This Agreement supersedes and terminates all prior engagements, representations, arrangements, and agreements, whether made in writing or orally, with respect to matters contained therein. Upon the entry into force of the agreement, the provisions of the Interim Agreement of 2005, insofar as they were in force at the time the land agreement was signed, are not and will no longer be valid.
- 2) The practical significance of this is that the principle of “as-is” (with its exceptions) is valid only from the date of the land agreement.

Usage right

In accordance with the provisions of Article 9 of the Shipping and Ports Authority Law, IPC has made the operational area available for the Company's use. According to the agreement, the right of use was granted to the Company for the duration of the agreement, for the purpose of fulfilling the commitments of the port company in accordance with the Company's writ of authorization. The land agreement regulates the scope of the usage right granted to the Company and states that they are not considered rental rights or any other proprietary right. These rights are subject to the rights granted to IPC under the Shipping and Ports Authority Law, the writ of authorization of the Development and Property Company and the ILA agreement mentioned above, to the extent applicable. The usage right does not include the right to use the depth of the land and the height of the sky, rather up to the limits required for the operation of the port and for the permitted activities only, both in the air medium and in the underground medium.

Notes to the financial statements

Note 1 General (cont.)

- D. Order for the Transfer of Rights in Real Estate and the Land Agreement (cont.)
- 1) The usage right is limited to a certain layer only, and IPC is entitled to make any use of the other layers insofar as it does not materially harm the Company.
 - 2) With regard to the sea front area – it was agreed that the regulation of the sea front area, as this term is defined in TAMA3/13/A, shall be done in a separate agreement, and not within the framework of this agreement. However, it was agreed that to avoid all doubt, it is clarified that in relation to the very use, period of use and fees for use of the sea front area, the provisions of the Agreement shall apply.

The “As-Is” Principle

- 1) It was agreed between the parties that the operating area was made available to the Company in accordance with the Interim Agreement, “As-Is”, and therefore, the Company is well acquainted with the operational area and its physical, technical, legal, licensing and statutory condition and hereby irrevocably waives any claim and/or lawsuit and/or demand of any kind from IPC in connection with the operational area and/or its condition.
- 2) IPC has no obligation towards the Company regarding the condition of the operational area and the obligation to repair and/or participate in the costs of repair and/or to rehabilitate and/or upgrade the operational area or any part thereof, except for its responsibility under the agreement and as detailed in the infrastructure appendix.
- 3) Notwithstanding, the parties agreed to exclude the principle of “AS-IS” and the responsibility of IPC with regard to statutory matters, the division of responsibility in terms of pollution – environmental protection, and the aspects of taxes and mandatory payments.
- 4) In addition, the parties agreed that the Company will not act to impair the execution of operations by IPC in areas adjacent to the operational area, including competing activities, and the Company will not be permitted to object or argue against this.

Infrastructure Appendix

IPC undertook toward the Company in the infrastructure appendix, as follows:

- 1) To construct a connecting bridge between Kishon East Port and Kishon West Port, in a manner that will suit the Company's operational requirements, with IPC bearing all the costs involved in the construction of the bridge, including planning, management and supervision costs, execution, and any other cost involved in its construction, directly or indirectly. The planning is being handled and promoted by IPC and it will be realized upon the receipt of the building permit.

Notes to the financial statements

Note 1 General (cont.)

- D. Order for the Transfer of Rights in Real Estate and the Land Agreement (cont.)
- 2) IPC will act to continue statutory planning of the eastern pier and the Carmel B pier (in accordance with the definition set forth in the Agreement of Principles and in the appendix to the government decision as "Carmel B Area") – as a deep-water port with the aim of bringing about approval of the statutory plans by 2030. (Promoting the planning is in the planning and approval aspect of the plans and does not include levies and taxes derived therefrom).
 - 3) IPC undertook to provide an amount of at least NIS 300 million and up to NIS 600 million for upgrading the eastern pier or constructing Carmel B in accordance with the terms agreed between the parties and in accordance with the Company's choice of the identity of the pier that will be upgraded to a deep-water pier. (The amount of IPC's participation and the identity of the platform to be upgraded varies in connection with the completion of the privatization process and the sale of the Company to a strategic investor, all as detailed in the land agreement).
 - 4) In the opinion of the Company, and in light of the State's undertaking (in the Agreement of Principles) to the Workers' Union and the Company that such financing will be made "provided that the Company's financial fortitude is not impaired", this clause is only at the level of the relationship between the Company and IPC.

Ministerial approval

In accordance with the provisions of Article 9(b) of the Shipping and Ports Authority Law, the Ministers of Transport and Finance approved the land agreement as aforesaid, and this means the cancellation of the user fee order that applies to the parties. Instead of the user fee order, as of the beginning of 2021 a new user fee model as defined in the land agreement will apply.

E. Usage Fee

On February 27, 2005, the Ministers publicized the Shipping and Ports Authority Order (Determination of Appropriate Variable Usage Fees, to be paid by a Port Company to the Development and Property Company), 5765-2005 (hereinafter: the Order for the Determination of Variable Usage Fees).

On October 1, 2010, a reform in port service tariffs went into effect, following which the aforementioned user fee order was also changed by the Shipping and Ports Authority Order (Determination of Appropriate Variable Fees to be paid by a Port Company to the Development and Property Company (Amendment)), 5770-2010.

Notes to the financial statements

Note 1 General (cont.)

E. Usage Fee (cont.)

In November 2020, the ministers approved the land agreement signed in September 2020 between the Company and IPC, which defines, *inter alia*, the responsibility, rights and obligations of the company and IPC in connection with obtaining the right to use the land to operate port services, including the usage fee that the Company will pay to IPC for obtaining land usage rights during the qualification period, in addition to the fixed usage fee of 4% of its revenues that the Company will pay the State in accordance with the provisions of the law.

According to the aforementioned land agreement, in respect of the cancellation of the usage fee order, including in respect of the entitlement of the port company to receive 75% of the income of the development and properties company from the granting of rights in the relevant land, net of the relevant expenses, as specified in Article 2C of the usage fee order, including item 6 in the addition to the usage fee order, IPC shall pay the Company and for five consecutive years, starting one year after the end of the year in which the Company ceases to be a wholly government-owned company within the meaning of this term in the Government Companies Law, 5735-1975, an annual amount of 30% of IPC's income from the granting of rights in the relevant land, provided that the total cumulative payment that IPC makes for all of these five years shall not exceed NIS 100 million for the entire period, linked to the known consumer price index on the date of the signing the agreement. If on January 1, 2028, the Company remains a wholly government-owned company as defined in the Government Companies Law, 5735-1975, IPC will pay the Company a total of NIS 100 million in one payment at the end of the calendar year, linked to the aforementioned base index.

According to the agreement, during the term of the agreement, the Port Company shall pay the Port Company a usage fee as follows:

Fixed component usage fees–

An annual amount that changes every few years until 2054, the end of the Company's authorization period.

Variable component usage fees–

For each calendar year, in addition to the aforementioned fixed component, the Company shall pay a variable amount based on the product of a nominal percentage (different for each income bracket as defined in the agreement) out of the total annual income of the Company.

Notes to the financial statements

Note 1 General (cont.)

E. Usage Fee (cont.)

- For the above matter, the meaning of the total aggregate income of any kind or income of related companies to the Company and deriving from activity in the operating area, directly or indirectly, and after deducting exceptional discounts, if any, that the Company gives to related companies and excluding financing income of the Company, all as defined in the Land Agreement:
- The variable usage fees paid by the Company to IPC will be paid by the Company in four quarterly installments and cumulative annual accounting, all in accordance with the provisions of the agreement.
- The annual amount paid by IPC to the Company for the cancellation of the Usage Fee Order shall be paid by IPC to the Company in four equal quarterly installments.
- The fixed usage fees paid by the Company to the State through IPC shall be paid by the Company in four equal quarterly installments.

F. Infrastructure Fee

In the land agreement, IPC appointed the Company to collect payments due to IPC in accordance with the provisions of the Supervision Order, including pursuant to Article 41(b) of the Supervision Order (hereinafter: "Infrastructure Fees"). During the entire period of the aforesaid appointment, the Company will collect infrastructure fees on behalf of IPC and transfer them to IPC on a daily basis net of the collection commission at a rate set out in the Supervision Order. In accordance with the provisions of the Agreement, IPC may, at its sole discretion and at any time during the term of the Agreement, cancel and/or renew the said appointment by providing written notice to the Company.

G. Taxes

As part of the restructuring process of the Port Authority as detailed above and carried out by way of legislation, discussions were held between the Tax Authority and the Government Companies Authority and representatives of the Port Companies and IPC, with the aim of drafting regulations regulating various tax issues arising from the process of the restructuring that was carried out. In July 2009, the Regulations of the Shipping and Ports Authority (Provisions for Tax Law) 5769-2009 were amended, regulating the treatment as explained below. See more information in Note 23 below.

Notes to the financial statements

Note 1 General (cont.)

H. Dividend payments

- 1) On January 10, 2023, the privatization process of the Company and its sale to the Adani Gadot Group was completed for a total of NIS 4.1 billion, of which NIS 1 billion was invested in the Company (against the issuance of shares) for purposes of infrastructure development and other needs, and the balance was transferred to the State of Israel.

Upon completion of the privatization, the Company is incorporated as a private company held 100% by Mediterranean International Ports A.D.G.D. Ltd. (hereinafter: the "Parent Company").

Upon completion of privatization, an amendment was made to the Company's articles of association regarding the distribution of dividends, as follows:

In the period from the date of completion of the privatization until the date of completion of the investment obligation, the Company shall be entitled to make a distribution, within the meaning of the Companies Law, whether directly or indirectly, only from profits accrued from the date of the last reviewed or audited financial statement of the company (quarterly or annual), approved before the date of completion of the privatization. "Distribution" in this regard is as defined in the Companies Law, 5759-1999, as well as the granting of a loan to Company shareholders or interested parties in the Company. The last approved reviewed or audited financial statements of the Company are those as of December 31, 2022 (see also Note 27(Q) below.)

I. Municipal sea front

In 2018, an agreement of principles was signed between the company and the Haifa Municipality for cooperation in the development of the municipal sea front, which includes activity for the construction and operation of facilities and buildings for the purpose of providing services for the welfare of users and visitors to the complex, and for commercial, tourism, employment, residential, cultural and leisure purposes. During 2021, as part of the Company's preparations for privatization, negotiations were conducted, led by the Government Companies Authority, among the Company and IPC, the Israel Land Authority and the Haifa Municipality regarding the signing of a detailed agreement that will regulate the development aspects of the municipal sea front project, including the residential lot (Area 607 according to the plan), in accordance with the Agreement of Principles (the "Square Agreement"). As of the date of approval of the financial statement, the square agreement among the Company, IPC, the Israel Land Authority and the Haifa Municipality was approved and signed by the parties, except for the Haifa Municipality. In addition, the agreement between the Company and the Municipality to establish the joint administration for managing the sea front has been approved. See also Note 25(b)(4)(a).

Notes to the financial statements

Note 1 General (cont.)

J. Definitions:

- | | |
|--|---|
| Company | - Haifa Port Company Ltd. |
| Parent Company | - Mediterranean International Ports A.D.G.D – 2010 |
| Related Parties | - As defined in International Accounting Standard 24 regarding disclosures in connection with a related party. The “related parties” item in the financial statements included government ministries and government companies. |
| Presentation Currency | - The currency in which the financial statements are presented. |
| Index | - The Consumer Price Index, as publicized by the Central Bureau of Statistics. |
| Dollar | - US dollars. |
| IFRS Accounting Standards (hereinafter - "IFRS") | - Standards and interpretations adopted by the International Accounting Standards Committee (IASB) including International Financial Reporting Standards (IAS), including interpretations of these standards set out by the Committee for the Interpretation of International Financial Reporting (IFRIC) or interpretations set out by the Standing Committee on Interpretations (SICs), respectively. |

O. The Impact of Operation "Am K'lavi" (Nation as a Lion)

During June 2025, the State of Israel faced an ongoing round of fighting as part of Operation "Am K'lavi" which took place mainly against the background of a security threat with Iran and its proxies. During the duration of the operation, the Company experienced certain disruptions in its operations, including:

- Diversion of ships from reaching the port of Haifa, with an emphasis on container and vehicle ships
- Drafting employees for active reserve military service
- Logistical limitations.

Notwithstanding the aforesaid, no material damage was caused to the Company's day-to-day operations, and it continued to provide its services fully even during the operation. Immediately after the end of the fighting, the Company's operations returned to normal, including the return of all its customers to work as planned. During the operation, a missile fell near the port area, causing physical damage to a number of Company assets. The value of the damages, according to the Company's estimates, is approximately NIS 5 million, and an orderly application has been forwarded to the property tax offices, and the Company is in contact with the tax authorities in order to receive the aforementioned compensation and restore the situation to its previous state. The Company examined the possible effects on the value of its assets, cash flows, and as of the date of the signing the financial statements, no indications of material impairment or material deviation in forecasts were identified.

Notes to the financial statements

Note 2 Significant accounting policies

A. Basis for presenting financial statements

1) Declaration of compliance with international financial reporting standards

The financial statements were prepared in accordance with international financial reporting standards (**hereinafter: "IFRS"**).

2) Transactions between a corporation and a controlling shareholder

State participation in the privatization grant given to company employees was carried to the equity component

3) Functional Currency and Presentation Currency

The Company's financial statements are prepared in the shekel currency, which represents the main economic environment in which it operates (hereinafter: the "Functional Currency").

The accounting policies set forth herein have been consistently applied to all periods presented in these financial statements by the Company.

4) Measurement base

The statements were prepared on the basis of the historical cost excluding the following assets and liabilities:

- Assets and liabilities in respect of employee benefits;
- Assets and liabilities in respect of deferred taxes;
- Assets and liabilities in respect of the right of use;
- Investment real estate;
- Provisions;
- Financial and other instruments that are measured at fair value through profit or loss (excluding derivatives used in cash flow hedging, in respect of the effective portion of the hedge which are recognized in other comprehensive income);

5) The period of the Company's operating cycle

The Company's operating cycle period is 12 months.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

A. Basis for presenting financial statements (cont.)

6) Major estimates and assumptions used in the preparation of financial statements

The preparation of the Company's financial statements in accordance with International Financial Reporting Standards (IFRS) requires Management to use estimates, assessments and assumptions that influence the implementation of the accounting policy and the reported amounts of assets, liabilities, income and expenses. The above estimates and assumptions are reviewed regularly. Changes in accounting estimates, if made, are carried to the period in which the change in the estimate was made.

These estimates sometimes require the use of judgment in an environment of uncertainty and they have a material impact on the presentation of the data in the financial statements.

The following is a description of the key assumptions for using material accounting estimates in the preparation of the Company's financial statements and which, when formulated, required Company Management to make assumptions regarding circumstances and events under conditions of significant uncertainty. In determining the estimates, Company Management exercises discretion and bases such assumptions on facts, past experience, dependence on external factors and reasonable assumptions in accordance with the circumstances appropriate for each estimate.

Actual results may differ from Management estimates set out in connection with the preparation of financial statements.

The following table presents information regarding the assumptions made by the Company pertaining to the future and other major factors regarding the uncertainty in connection with estimates having significant risk the result of which will require material adjustments to values of assets and liabilities in the accounting records during the coming fiscal year:

Notes to the financial statements

Note 2 **Significant accounting policies (cont.)**A. **Basis for presenting financial statements (cont.)**6. **Major estimates and assumptions used in the preparation of financial statements (cont.)**

<u>Estimate</u>	<u>Major assumptions</u>	<u>Possible consequences</u>	<u>Reference</u>
Post-termination employee benefits and termination benefits	Actuarial assumptions such as capitalization rate and mortality rate	Increase or decrease in liability in respect of a defined post-employment benefit plan and in respect of termination	For information on the impact of the change in actuarial assumptions, see Note 16, <i>Employee Benefits</i>
Post-termination employee benefits and termination benefits	Classification of a liability as a benefit plan after termination of employment or as a severance liability and with respect to an early retirement plan. The classification is determined according to the nature of the plan and the estimated time until termination of employment of employees who retire early.	Classification of actuarial profit or loss for remeasurements of actuarial liability to profit and loss (classification as severance liability) or other comprehensive income (classification as a post employment benefit plan)	For information on the impact of the change in actuarial assumptions, see Note 16, <i>Employee Benefits</i>
Assessing the chances of contingent liabilities and estimating provisions	Is it more likely than not that financial resources will be spent on lawsuits filed against the Company and its investee companies?	Cancellation or creation of a provision for a claim	For information on the Company's exposure to claims, see Note 25, <i>Commitments and Contingent Liabilities</i> .
Deferred tax assets	Is it expected that there will be future taxable income against which it will be possible to utilize deductible temporary differences, which have not yet been utilized?	Creation or cancellation of a deferred tax asset	For information on deferred taxes, see Note 24, <i>Income Taxes</i> .
Useful life of fixed assets	The period of time during which the asset is expected to be available for use by the Company	Increase or decrease in depreciation expenses	For information on the life span of fixed assets, see Note 2, <i>Accounting Policy</i> . For information on depreciation expenses recognized in respect of fixed assets, see Note 8, <i>Fixed assets</i> .
Recoverable amount of a cash-generating unit	Estimation of cash flows, discount rate and growth rate	During the reporting period, no impairment was recognized, but a change in estimates (for example, an increase in the discount rate) may lead to a decrease in value in subsequent periods	See Note 2, <i>accounting policy</i> regarding impairment of non-financial assets and Note 2 regarding the assessment of a recoverable amount of the Company's assets
Investment real estate	Valuation performed by a third-party appraiser to determine fair value	Increase or decrease in the value of the investment real estate	See Note 2M and Note 12

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

A. Basis for presenting financial statements (cont.)

7. Determination of fair value

For the preparation of financial statements, the Company is required to determine the fair value of certain assets and liabilities. For more information about the assumptions used in determining fair value, see Note 2d, *Financial Instruments*.

In determining the fair value of an asset or liability, the Company uses observable data from the market whenever possible. Fair value measurements are divided into three levels of the fair value matrix based on the data used in the assessment, as follows:

- Level1: Quoted (unadjusted) prices in an active market for identical instruments.
- Level2: Observed data from the market, directly or indirectly, not included in Level 1 above.
- Level 3: Data not based on observed market data.

B. Foreign currency transactions, assets and liabilities

Transactions denominated in foreign currency are recorded upon initial recognition according to the exchange rate at the time of the transaction. After initial recognition, financial assets and liabilities denominated in foreign currency are translated on each reporting date into the functional currency at the exchange rate as of that date.

Exchange rate differences are carried to profit or loss. Non-monetary assets and liabilities denominated in foreign currency presented at cost are translated at the exchange rate at the time of the transaction. Non-monetary assets and liabilities denominated in foreign currency and presented at fair value, are translated into the functional currency according to the exchange rate at the date on which the fair value is determined.

C. Cash and cash equivalents

Cash includes cash that can be used immediately and on-demand deposits. Cash equivalents are highly liquid short-term investments (three months or less from the date of investment) that can be easily converted into known amounts of cash and which are exposed to an insignificant risk of changes in value. Cash equivalents are held for the purpose of fulfilling short-term cash payment contracts and not for investment or other purposes.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

D. Financial Instruments

Financial Assets

1. Initial recognition and measurement of financial assets

Financial assets are measured at the time of initial recognition and upon derecognition at their fair value plus transaction costs that can be directly attributable to the purchase of the financial asset, except in the case of a financial asset which is measured at fair value through profit or loss.

2. Derecognition of financial assets

Financial assets are derecognized when the Company's contractual rights to the cash flows arising from the financial asset expire upon derecognition. If the Company materially retains all the risks and benefits arising from the ownership of the financial asset, the Company continues to recognize the financial asset.

3. Financial assets held for trading

Financial assets held for trading, such as shares and bonds traded on an active market, are measured at fair value through profit or loss.

The net profit or loss recognized in profit or loss embodies any dividends or interest accrued in respect of the financial asset. Regarding how fair value is determined, see Note 4.

4. Classification of financial assets into groups and the accounting treatment of each group

At the time of initial recognition, financial assets are classified into one of the following categories of measurement: amortized cost or fair value through profit and loss.

Financial assets are not reclassified in subsequent periods unless, and only when, the Company changes its business model to manage financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the reporting period following a change in business model.

A financial asset is measured at amortized cost if it satisfies the following two cumulative conditions and is not intended to be measured at fair value through profit and loss:

- a. Held under a business model aimed at holding assets to collect contractual cash flows; and

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

D. Financial Instruments (cont.)

Financial Assets (cont.)

- b. The contractual terms of the financial asset provide entitlement at specified times to cash flows that are only principal and interest payments in respect of the outstanding principal amount.

5. Subsequent measurement and gains and losses

Financial Assets at fair value through profit and loss

In subsequent periods, these assets are measured at fair value. Net profits and losses, including interest income or dividends, are recognized in profit and loss (except for certain derivative instruments, which are designated as hedging instruments).

Financial assets at amortized cost

The Company has deposits and trade accounts receivable balances and other receivables held under a business model aimed at collecting contractual cash flows. The contractual cash flows in respect of these financial assets include only principal and interest payments which reflect a return on the time value of the money and credit risk. Accordingly, these financial assets are measured at amortized cost.

These assets are measured in subsequent periods at amortized cost, using the effective interest method and net of impairment losses. Interest income, gains or losses from exchange rate differentials and impairment are recognized in profit and loss. Any profit or loss resulting from derecognition is also recognized in profit and loss.

6. Impairment of financial assets

The Company examines on each reporting date the provision for loss in respect of financial assets such as customers and receivables that are not measured at fair value through profit or loss.

The Company distinguishes between two modes of recognition of provision for loss:

- a. Debt instruments for which there has not been a significant deterioration in credit quality since the date of initial recognition, or cases in which the credit risk is low – the provision for loss recognized in respect of this debt instrument will take into account projected credit losses in a period of 12 months after the reporting date, or;

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

D. Financial Instruments (cont.)

6. Impairment of financial assets (cont.)

- b. Debt instruments for which there has been a significant deterioration in their credit quality since the date of their initial recognition and for which the residual risk is not low, the provision for loss recognized will take into account forecasted credit losses – throughout the remainder of the life of the instrument.

The Company has financial assets with short credit periods, such as trade accounts receivable and, as a result, the provisions under IFRS 9 are immaterial.

Financial liabilities

Non-derivative financial liabilities include suppliers and other payables.

1. Initial recognition and subsequent measurement of financial liabilities

The Company initially recognizes debt instruments issued at the time of their creation. The remaining financial liabilities are initially recognized at the trade date on which the Company becomes a party to the instrument's contractual terms. Financial liabilities are initially recognized at fair value net of all attributable transaction costs. After initial recognition, financial liabilities are measured at amortized cost in accordance with the effective interest method.

2. Derecognition of financial liabilities

Financial liabilities are derecognized when the Company's obligation, as specified in the agreement, expires or when it is settled or canceled.

3. Offsetting financial instruments

A financial asset and financial liability are offset and the amounts are presented in a net amount in the statement of financial position when the Company currently has an enforceable legal right to offset the amounts recognized as well as an intention to settle the asset and the liability on a net basis or to realize the asset and settle the liability simultaneously.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

E. Inventory

Inventory is measured at the lower of the net cost or realization value. The cost of inventory includes the expenses of purchasing the inventory and of bringing it to its current location and condition. Net realization value is an estimate of the sale price in the normal course of business, net of an estimate of costs to completion and costs necessary to make the sale. The Company's inventory includes fuels and lubricants.

F. Fixed assets

1. Initial measurement

Fixed asset items are presented at cost plus direct purchase costs, less accrued depreciation, less accrued impairment losses, and they do not include ongoing maintenance expenses.

Fixed asset items include spare parts, backup equipment, and auxiliary equipment used by the fixed assets.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset or another amount that replaces the cost, net of the residual value of the asset.

An asset begins to be depreciated when it is available for use, i.e., when it has reached the necessary location and condition in order for it to be able to operate in the way that management intended.

Depreciation is carried to the profit and loss statement according to the straight-line method over the estimated useful life of each part of the fixed asset item, since this method reflects the forecasted consumption pattern of the future economic benefits inherent in the asset in the best possible way. Right of use assets are amortized over the shorter of the lease period and the useful life of the asset.

The depreciation rates used in calculating depreciation are as follows:

<u>Group</u>	<u>Primary lifespan</u>	<u>Main depreciation rate</u>
Infrastructure and buildings	20 years	5%
Cranes	33 years	3%
Other operational equipment	8 years	12.5%
Right of use assets	3 years	33%

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

F. Fixed assets (cont.)

The useful life, depreciation method, and residual value of each asset are reviewed at least at the end of each year and the changes are treated prospectively as an accounting estimate change. Asset amortization is terminated at the earlier of the date the asset is classified as held for sale and the date the asset is derecognized.

2. Spare parts inventory

a. Spare parts inventory, regarding which the cost of a single item exceeds a defined amount, is depreciated according to the useful life of the parent asset to which the item is associated and the beginning of their depreciation is at the time the item is input into inventory (even if its operational use has not begun).

b. Inventory of spare parts where the cost of a single item is lower than a defined amount is carried to profit and loss immediately upon consumption, the cost of which is carried according to the weighted moving average.

3. Subsequent costs

The cost of replacing a part of a fixed asset item, which can be reliably estimated, is recognized as an increase in the book value at the time incurred, if future economic benefits attributable to the item are expected to flow to the entity. Current maintenance costs are carried to profit or loss when incurred.

G. Leases

A right of use asset is presented as part of the fixed assets.

A leasing liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate inherent in the lease.

Lease payments included in the measurement of the leasing liability consist of the following payments:

- Fixed payments (including payments that are of a fixed nature);
- Variable lease payments that depend on the index or rate, which are initially measured by using the existing index or rate at the commencement date;

Variable lease payments independent of the index or rate, for example depending on the Company's revenue, are not included in the measurement of leasing liabilities. Instead, these payments are recognized as current expenses in the Cost of Sale section when they actually arise.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

G. Leases (cont.)

The leasing liability is presented in a separate section of the statement of financial position. Leasing liabilities are then measured by increasing the book value to reflect interest on the leasing liability using the effective interest rate method and by decreasing the book value to reflect the leasing payments made.

The Company remeasures the leasing liability (against an adjustment to the right of use asset) when:

- There is a change in the leasing period or when there is a change in the valuation of an option to purchase the underlying asset. In this case, the leasing liability is measured by discounting the updated lease payments using an updated discount rate.
- There is a change in future lease payments resulting from a change in the index or rate used to determine these payments (for example, lease payments linked to the Consumer Price Index). In this case, the leasing liability is measured by discounting the updated lease payments using the original discount rate.
- A lease amendment has been made that is not treated as a separate lease. In this case, the leasing liability is remeasured by discounting the updated lease payments using an updated discount rate. When the lease amendment reduces the scope of the lease, a profit or loss is recognized, reflecting the full/partial cancellation of the lease.

Subsequently, the right-of-use asset is measured at cost less accrued depreciation and impairment losses. See also Note 8(E).

H. Cargo damage liability

The Company sets aside amounts to cover contingent claims relating to cargo damage when the Company has a current liability as a result of damages caused to the cargo in the past, expected at the level of "more likely than not" that the Company will be required to spend a negative flow of economic resources in order to settle the liability and the amount of the liability can be reliably measured.

The provision for expected claims in respect of cargo damage is assessed according to the appraisal of Company Management and its legal counsel, and for claims filed through the court, according to the assessment of legal counsel, which is based, *inter alia*, on experience accumulated in the past in similar cases.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

I. Intangible assets

Intangible assets are identifiable non-monetary assets lacking a physical essence and they are inspected for impairment once a year, as well as whenever there is a sign indicating that impairment may have occurred in accordance with the provisions of IAS 36. The estimated useful life of intangible assets with an indeterminate useful life is reviewed at the end of each reporting year. A change in the estimate of the useful life of an intangible asset that changes from undefined to defined, is treated in a prospective manner.

Intangible assets with a defined useful life are amortized on the straight-line method over their estimated useful life, subject to an impairment assessment. Changing the estimate of the useful life of an intangible asset with a defined lifespan is treated in a prospective manner.

The useful life taken into consideration when calculating the amortization of intangible assets with a defined useful life is as follows:

	Useful lifespan
Software	7–8 years

J. Impairment

(1) **Non-derivative financial assets**

The Company has elected to apply the lenient approach for measuring an impairment provision for leasing receivables, according to the probability of lifetime insolvency. Expected credit losses in respect of these financial assets are estimated using a provision matrix based on the Company's past experience with respect to credit losses and adjusted for factors that are specific to the borrower, general economic conditions and an assessment of both the current trend of the terms and the predicted trend of the terms at the reporting date, including the time value of money as needed.

(2) **Non-financial assets**

Timing of impairment examination

At the end of each reporting period, the Company examines whether there are any signs indicating impairment of its tangible and intangible assets, except for inventory. If such signs exist, the recoverable amount of the asset is estimated in order to determine the amount of impairment loss generated, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A recoverable amount is the higher of the fair value of the asset less realization costs and its value in use. In assessing the value in use, estimates of future cash flows are adjusted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and asset-specific risks for which the estimate of future cash flows has not been adjusted.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

J. Impairment (cont.)

When the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its book value, the book value of the asset (or cash-generating unit) is written down to its recoverable amount. An impairment loss is immediately recognized as an expense in profit or loss, unless the relevant asset is measured according to a revaluation model. In this case, the impairment loss is treated as a decrease in the revaluation fund, until it is zeroed out and the remainder, if any, is recognized in profit or loss.

When an impairment loss recognized in previous periods is canceled, the book value of the asset (or cash-generating unit) is increased back to an updated recoverable estimate, but no more than the book value of the asset (or cash-generating unit) that would exist had an impairment loss not been recognized in previous periods. Cancellation of an impairment loss is immediately recognized in profit or loss.

The Company has two cash-generating units: investment real estate and port activity. The Company measures its investment real estate in accordance with the fair value model (see Note 12). Regarding its port activity, the Company tested for impairment and found no indication of a decline in value.

K. Income taxes

1) General

Income taxes expenses (income) include total current taxes, as well as the total change in deferred tax balances, except for deferred taxes arising from transactions directly carried to equity or other comprehensive income

2) Current taxes

Current tax expenses are calculated based on the taxable income of the Company during the reporting period. Taxable income differs from pre-tax income due to the inclusion or exclusion of items of income and expenses that are taxable or deductible in different reporting periods, or that are non-taxable or deductible. Assets and liabilities for current taxes were calculated based on tax rates and tax laws enacted or whose enactment was actually completed by the date of the financial statements.

Current tax assets and liabilities are presented in a net amount when the entity has an enforceable legal right to offset the amounts recognized as well as an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

K. Income taxes (cont.)

3) Deferred taxes

The Company creates deferred taxes for temporary differences between the tax value of assets and liabilities and their value in the financial statements. Deferred tax balances (asset or liability) are calculated according to the expected tax rates at the time of their realization, based on the tax rates and tax laws enacted or whose enactment was actually completed, up to the date of the statement of financial position. Deferred tax liabilities are generally recognized, in respect of all temporary differences between the value for tax purposes of assets and liabilities and their value in the financial statements. Deferred tax assets are recognized for all deductible temporary differences up to an amount expected to have taxable income against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are shown in a net amount when an entity has an enforceable legal right to offset current tax assets against current tax liabilities, and when they relate to taxes on income levied by the same tax authority, and the Group intends on settling current tax assets and liabilities on a net basis.

- 4) In June 2017, the IASB issued IFRIC 23 – Treatment of Uncertainty Related to Income Taxes (hereinafter: the “Interpretation”). The Interpretation clarifies the rules of recognition and measurement of assets or liabilities in accordance with IAS 12 "*Taxes on Income*" in situations where there is an uncertainty relating to taxes on income. Uncertainty regarding income taxes is any tax treatment applied by an entity when there is uncertainty about whether this tax treatment will also be acceptable to the tax authorities. The uncertainty may persist until a future decision is made by the relevant tax authority or by a court.

The Interpretation states that the entity must determine whether the uncertain tax positions should be assessed separately or as part of a group of uncertain tax positions. In addition, the entity must assess whether it is likely that the tax authorities will accept the treatment that the Company has taken, or is likely to take, in connection with the uncertain tax positions, assuming that the tax authorities will check the entity's reports and all relevant information will be in their possession (100% risk of exposure). If so, the entity is required to determine the accounting treatment of the uncertain tax positions in a manner that is consistent with the tax position it has taken or is expected to take. If it is not expected at a level of "more likely than not" that the tax position of the entity will be accepted by the tax authorities, the entity is required to reflect the effect of tax-related uncertainty on income in the financial statements. In addition, the Interpretation provides guidelines for handling changes in facts and circumstances of uncertainty. See also Note 24(d)(7).

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

L. Liabilities in respect of employee benefits

1) Post-employment benefits

The Company's post-employment benefits include pensions, a liability for severance pay and redemption of sick days and benefits for retirees. The Company's post-employment benefits are partly defined deposit plans and partly defined benefit plans. Expenses in respect of the Company's obligation to deposit funds under a Defined Contribution Plan is carried to profit or loss, at the time the work services are rendered, for which the Company is obligated to make the deposit. The difference between the deposit amount due and the total deposits paid is presented as a liability.

When the total deposits paid exceeds the required deposit for the service rendered up to the date of the statement of financial position, and this surplus will lead to a reduction of future deposits, or to a refund, the Company recognized an asset.

Expenses for a defined benefit plan are carried to profit or loss, according to the Projected Unit Credit Method, using actuarial assessments performed at the end of each reporting period. The present value of the Company's liability in respect of a defined benefit plan as of December 31, 2025 was determined by discounting the expected future cash flows in respect of the Plan using a discount rate corresponding to the market yields of high-quality corporate bonds denominated in the currency that the benefits will be paid in respect of the Plan, and have redemption periods approximately identical to the projected settlement dates of the Plan. In accordance with the Company's accounting policy, the cost of ongoing service and interest expenses for post-employment liabilities which are defined benefit plans, are included in the Operating Expenses section of the Income Statement.

Actuarial profits and losses are carried to the other comprehensive income at the time of their formation. Past Service Cost, reductions or settlements are recognized in profit or loss at the earlier of the time of amendment of the Plan or at the time of recognition of costs for related restructuring under IAS 37 or severance benefits. Actuarial gains and losses carried to other comprehensive income will not be reclassified to profit or loss at a later date.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

L. Liabilities in respect of employee benefits (cont.)

2) Short-term employee benefits

Short-term employee benefits are benefits that are expected to be fully settled before the end of the 12 month period following the end of the year in which the employee's qualifying service is rendered.

Short-term employee benefits in the Group include the Company's liability for short-term absences. These benefits are carried to profit or loss, or capitalized to the cost of the asset at the time of their formation. The benefits are measured on an uncapitalized basis that the Company is expected to pay. The difference between the amount of short-term benefits to which the employee is entitled, and the amount paid in respect thereof, is recognized as an asset or a liability.

3) Termination benefits

Termination benefits are benefits that are payable as a result of the Company's decision to terminate employees before the regular retirement date or an employee's decision to agree to voluntary early retirement in exchange for these benefits.

In accordance with the accounting policy of the Company, the cost of current service, interest expenses and actuarial profits or losses in respect of severance benefits are carried to profit or loss at the time of their formation under the section entitled "Implementation of a reform program – early retirement".

The Company's liability for termination is carried to profit or loss at the earlier of the time the Company is unable to withdraw from the Offer or at the time of recognition of costs for restructuring under IAS 37 which include payment of severance benefits.

4) Other long-term employee benefits

Other long-term employee benefits are benefits that are not expected to be fully settled before the end of the 12 month period following the annual reporting period in which the employee rendered the related service and do not constitute post-termination benefits or termination benefits.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

L. Liabilities in respect of employee benefits (cont.)

4) Other long-term employee benefits (cont.)

Other employee benefits in the Group include liabilities in respect of vacation, etc. Expenses for these benefits are carried to profit or loss, according to the Projected Unit Credit Method, using actuarial assessments performed at the end of each reporting period. The present value of the Company's liabilities in respect of these benefits is determined by discounting the expected future cash flows in respect of the Program Market yields of high-quality corporate bonds denominated in the currency in which other long-term employee benefits will be paid, and with redemption periods approximately identical to the projected settlement dates of these benefits.

Actuarial gains and losses for other long-term employee benefits are carried to profit or loss at the time of their formation. The Past Service Cost is recognized in profit or loss on the earlier of the date of amendment of the plan or at the time of recognition of costs for related restructuring under IAS 37 or severance benefits.

M. Investment real estate

Investment real estate, owned by the Company, is held for the purpose of deriving long-term rental returns, or for capital appreciation or both, and is not used by the Company in the manufacture or supply of goods or services or for administrative purposes or for sale in the normal course of business.

When transferring real estate used by the owners under the cost model to investment real estate under the fair value model, an increase in the book value of the property from cost to fair value is recognized in other comprehensive income. After the transfer date, any decrease or increase in the fair value of investment real estate is recognized in profit or loss.

Mixed-use real estate, which includes a portion held for the purpose of generating rental income or for the purpose of capital appreciation and another part held for use in the production or supply of goods or services or for administrative purposes, the parts of which cannot be sold separately (or leased separately under a financial lease), is investment real estate, only if an insignificant part of it is held for use in production or supply of goods or services or for administrative purposes. Otherwise real estate is classified as owner-used real estate (fixed assets or right-of-use assets).

After initial recognition, the Company measures its investment real estate according to the fair value model. In order to determine the fair value of investment real estate, the Company relies on a valuation performed by an independent appraiser at least once a year. In addition, on each interim reporting date, the Company examines the need to update the fair value estimate of its investment real estate relative to its fair value set at the last date on which the valuation was made, in order to examine whether this estimate represents a reliable estimate of fair value as of the interim reporting date.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

M. Investment real estate (cont.)

This examination is done by reviewing changes in the relevant real estate market, in the rental contracts on the property, in the macroeconomic environment of the property, as well as new information regarding material transactions made in the vicinity of the property and similar properties and any other information that may indicate changes in the fair value of the asset. If in the Company's assessment there are indications with respect to certain assets that the fair value as of the interim reporting date is materially different than the fair value estimated on the last date on which the valuation was made, the Company will estimate the fair value of these assets through an external appraiser as of the interim reporting date. Profit or loss resulting from changes in the fair value of investment real estate are recognized in profit or loss for the period in which they derived under the item entitled "Changes in the fair value of investment real estate".

On September 30, 2023, the Company initially estimated the fair value of its investment real estate through a valuation performed by an external valuation. See also Note 12.

N. Revenue recognition

The Company recognized revenues from contracts with customers, as set out below, on the date that control over the merchandise or the service was transferred to the customer and measured the revenue at the amount that represents the consideration the Company expects to be entitled to receive in respect of the given merchandise or service, except for amounts that were collected on behalf of third parties.

The following are the specific criteria for revenue recognition for the following types of revenue:

Revenues from the rendering of services

Revenues from the rendering of services to ships, infrastructure fees and cargo fees are recognized according to the completion stage of the transaction (the date of completion of the service). In respect of services that are carried out over a period of time such as rental, storage and parking services, the recognition of revenues will be carried out using the straight-line method over the period of service. According to this method, revenue is recognized in the reporting periods in which services were rendered.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

N. Revenue recognition (cont.)

Discounts to customers

The Company operates through various marketing means, including providing various discounts and incentives such as participation in overland shipping expenses and handling fees, both for cargo owners and ship agents to increase their activity at the port.

Updates made from time to time in the rate and in the mix of discounts may affect the Company's participation rate in shipping expenses and the amount of the handling fees it collects.

Discounts and incentives to these customers are included in the statements of financial position in accordance with the expectation of discounts that will be given to customers (for example, quantity discounts or incentives that are contingent on the customer's arrival at any destinations, etc.), based on the Company's estimates, according to the "most reasonable amount" method, to the amounts of discounts that will ultimately be given and subtracted from the relevant revenue items.

Interest income

Interest income in respect of financial assets is recognized on the accrual basis according to the effective interest method.

O. Cost of revenues and discounts from suppliers

The cost of revenues also includes losses due to impairment of spare parts inventory and scrapping of the spare parts inventory.

Discounts from suppliers are deducted from the cost of sale on the dates when the qualifying conditions for those discounts are met.

P. Financing income and expenses

Financing income includes interest income in respect of amounts invested in securities and in deposits, exchange rate differences, dividend income, changes in the fair value of financial assets measured at fair value through profit or loss.

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

Financing expenses include interest expenses changes in the value of time in respect of provisions, and changes in the fair value of financial assets measured at fair value through profit or loss. Credit costs, which are not capitalized to eligible assets, are carried to the statement of comprehensive income according to the effective interest method. Profits and losses from rate differences are reported at their net.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

Q. Provisions

A provision pursuant to International Accounting Standard IAS 37 is recognized when the company has a present obligation (legal or implied) as a result of a past event, it is "more likely than not" that economic resources will be required to settle the liability and it can be reliably assessed. See also Note 2(B) above.

R. Disclosure of new IFRS standards in the period prior to implementation:

1. International Financial Reporting Standard 18, Presentation and Disclosure in Financial Statements (hereinafter "IFRS 18" or the "New Standard")

The standard published in April 2024 is intended to improve the comparability and transparency of reporting on companies' performance. The new standard replaces International Accounting Standard 1, the presentation of financial statements, and does not deal with the issues of recognition and measurement of items in financial statements.

The following is an overview of the main changes that will take place in the financial statements with the implementation of the new standard, in relation to the presentation and disclosure provisions that apply today:

- The new standard will change the structure of the report on profit or loss and will include three new defined categories: Operation, Investment and Financing, as well as add two new interim summaries: operating profit and profit before financing and income taxes.
- The new standard includes guidelines for providing disclosure of Management-defined Performance Measures (MPMs)
- The new standard provides guidance regarding the grouping and fragmentation of information in financial statements, whether information should be included in the main statements or annotations, as well as disclosures regarding items defined as "others."
- The new standard includes amendments to other standards, including limited amendments to International Accounting Standard 7, a report on cash flows.

The standard will be implemented retroactively starting from the annual periods beginning on January 1, 2027 or thereafter, while providing specific disclosure as determined in the transitional provisions of the new standard.

The Company is examining the possible impact of IFRS 18 on its financial statements, but at this stage it is unable to assess such impact. The impact of the new standard, if any, will only affect matters of presentation and disclosure.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

R. Disclosure of new IFRS standards in the period prior to implementation (cont.):

2. Amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures* Amendments to the classification and measurement of financial instruments (hereinafter: the “Amendments to IFRS 9 and IFRS 7”, or the “Amendments”).

The amendments issued in May 2024 were intended to clarify when a company is required to recognize or derecognize financial assets or financial liabilities, as well as to develop new requirements in order to allow a company to derecognize a financial liability which will be settled in cash via an electronic payment system, prior to the settlement date. In addition, the amendments were intended to clarify how the requirements in IFRS 9 Classification Provisions Implementation Guidelines should be applied to all financial assets, including those with related ESG characteristics, in assessing whether the financial asset's contractual cash flows are only principal and interest payments for the amount of the principal that has not yet been paid (SPPI conditions). In addition, amendments have been made to clarify the requirements relating to non-recourse financial assets and contractually linked instruments.

The amendments relating to the derecognition of financial liabilities clarify that a financial liability is to be derecognized on the settlement date, which is the date on which the liability is discharged, since the liability defined in the contract is repaid, canceled, or expires, or the liability is otherwise eligible for derecognition. Notwithstanding the aforesaid, the amendments allow, as an exception, to view the financial liability (or part thereof) as being paid before the settlement date, when the liability is settled in cash via an electronic payment system, if and only if a number of conditions are met. The aforementioned shall be applied to all settlements executed through the same electronic payment system. No changes have been made to the provisions for the recognition of financial assets and liabilities and the provisions for the derecognition of financial assets.

The amendments clarify the characteristics of the term “non-recourse”. A financial asset has the characteristics of “non-recourse”, if the company's ultimate right to receive cash flows is contractually limited to the cash flows to be generated from defined assets.

Notes to the financial statements

Note 2 Significant accounting policies (cont.)

R. Disclosure of new IFRS standards in the period prior to implementation (cont.):

2. Amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures* Amendments to the classification and measurement of financial instruments (hereinafter: the “Amendments to IFRS 9 and IFRS 7”, or the “Amendments”) (cont.)

In addition, the amendments clarify the characteristics of “contractually-linked instruments” – a structure of tiers – that distinguish them from other transactions (in accordance with the clarification, the prioritization of payments to the holders of the tiers is determined by a waterfall structure that creates concentrations of credit risk and results in a disproportionate distribution of cash deficits from the base group among the tiers).

The amendments also note that not all transactions involving a number of debt instruments meet the criteria for “contractually-linked instrument” transactions, and provide an example of this. The amendments also clarify that the underlying group can include financial instruments that are not subject to the IFRS 9 classification requirements, for example, debts for several leases, and clarify when such a situation is possible.

The amendments to IFRS 7 require further disclosures, for financial assets measured at amortized cost or fair value through other comprehensive income and for financial liabilities measured at amortized cost, of contractual terms that can change the amount of contractual cash flows based on the occurrence or non-occurrence of a contingent event that do not directly relate to changes in underlying loan risks and costs (e.g., time value of money and credit risk). Also, the amendments require additional disclosures regarding investments in equity instruments that are measured at fair value through other comprehensive income.

The implementation of the amendment has no material impact on the Company's financial statements.

Note 3 Cash and cash equivalents

Composition:

	As of December 31	
	2025	2024
	Thousands of NIS	
Cash on hand and banks	11,499	4,049
Bank deposits *	1,350,399	77,824
Foreign currency	40	84
	1,361,938	81,957

(*) Short-term deposits bear an average annual interest rate of 4.46% in the reporting year.

Notes to the financial statements

Note 4 Financial assets

Composition:

	As of December 31	
	2025	2024
	Thousands of NIS	
<u>Financial Assets</u>		
Corporate bonds	177,862	179,695
Government bonds and loans	142,109	124,923
Securities intended to cover vacation provision	24,884	24,314
Securities intended for the payment of liabilities in respect of short-term employee benefits	4,679	6,052
	<u>349,534</u>	<u>334,984</u>

Note 5 Trade Accounts Receivable, net

Composition:

	As of December 31	
	2025	2024
	Thousands of NIS	
Open debts	26,667	28,252
Revenue receivable	6,915	5,572
Provision for grant payment in respect of meeting goals for customers	(21,469)	(23,348)
Less - provision for doubtful debts	(2,509)	(2,509)
	<u>9,604</u>	<u>7,967</u>

Notes to the financial statements

Note 6 Accounts receivable and debit balances

Composition:

	As of December 31	
	2 0 2 5	2 0 2 4
	Thousands of NIS	
IPC – Current account	31,719	15,908
Current taxes receivable	-	18,463
Employees and employee-related institutions	3,614	422
Prepaid expenses	3,223	1,735
Vat	1,738	5,748
Inventory of fuels and oils	760	679
Miscellaneous receivables	905	7,125
Total receivables and debit balances	41,959	50,080

Note 7 Fund in respect of savings and mutual aid of employees of the Company

The item includes the balance of investment in a savings fund shared with the Company's employees, which is managed by a mutual aid association. The members of the association are Company employees (as well as the Company as a replacement for the Port Authority). An employee's membership in the fund involves a one-time fee. Every month, amounts for deposit in the fund are deducted from the members of the association as follows:

- Up to the first NIS 144, the Company adds NIS 1 for every NIS 1 deposited by employees.
- In respect of amounts in excess of NIS 144, the Company adds NIS 2 for every NIS 1 deposited by employees.

Employees who are members of the Fund are entitled to receive loans from the Fund at subsidized terms stipulated in the Fund's regulations (an interest rate of approximately 1%). The company usually withdraws the funds it deposited (in nominal amounts) only in respect of an employee who has retired from his membership in the fund. The mutual aid fund is run by an Ottoman association.

Changes in the balance of the Fund for Mutual Aid are carried in the Company's financial statements as a reclassification between balance sheet items only, i.e., investments in the mutual aid fund increase the balance sheet balance and redemptions of monies by the fund to the Company reduce the balance sheet balance.

Notes to the financial statements

Note 8 Fixed assets and right of use asset, net

A. Composition as of December 31, 2025:

	Infrastructure and buildings	Cranes	Other operational equipment	Spare parts inventory *	Right of Use asset ***	Total
Cost:						
Balance as of January 1, 2025	281,902	1,185,544	247,987	86,506	11,441	1,813,380
Purchases	11,954	4,847	8,656	3,368	-	28,825
Realizations/derecognitions/transfers/impact of negative index/lease incentive	(71)	-	(4,919)	(4,421)	-	(9,411)
Changes in assets held for sale	-	-	(15,147)	-	-	(15,147)
Decrease (increase) in impairment provision	-	-	-	(1,523)	-	(1,523)
Additions for new leases	-	-	-	-	2,793	2,793
Derecognition for terminated leases	-	-	-	-	(2,667)	(2,667)
Balance as of December 31, 2025	293,785	1,190,391	236,577	83,930	11,567	1,816,250
Accumulated depreciation:						
Balance as of January 1, 2025	121,400	517,017	188,921	13,868	5,522	846,728
Depreciation	13,687	35,349	11,445	1,230	3,425	65,136
Redemptions/derecognitions/transfers	(4)	-	(4,314)	(1,809)	-	(6,127)
Derecognitions for terminated leases	-	-	-	-	(2,010)	(2,010)
Changes in assets held for sale	-	-	(15,147)	-	-	(15,147)
Balance as of December 31, 2025	135,083	552,366	180,905	13,289	6,937	888,580
Depreciated cost:						
As of December 31, 2025	158,702	638,025	55,672	70,641	4,630	927,670

* As of December 31, 2025, there is an impairment provision in respect of disposable spare parts in an amount of NIS 6.3 million.

** As of December 31, 2025, the usage right asset balance includes leased vehicles only.

Notes to the financial statements

Note 8 Fixed assets and right of use asset, net (cont.)

A. Composition as of December 31, 2024:

	Infrastructure and buildings	Cranes	Other operational equipment	Spare parts inventory *	Right of Use asset ***	Total
Cost:						
Balance as of January 1, 2024	273,233	1,251,787	257,373	82,782	10,477	1,875,652
Purchases	20,682	15,498	17,736	3,816	-	57,732
Realizations/derecognitions/transfers/impact of negative index/lease incentive	(12,013)	(81,741)	(53,826)	(89)	-	(147,669)
Changes in assets held for sale	-	-	26,704	-	-	26,704
Decrease (increase) in impairment provision	-	-	-	(3)	-	(3)
Additions for new leases	-	-	-	-	3,836	3,836
Derecognition for terminated leases	-	-	-	-	(2,872)	(2,872)
Balance as of December 31, 2024	281,902	1,185,544	247,987	86,506	11,441	1,813,380
Accumulated depreciation:						
Balance as of January 1, 2024	111,453	516,497	186,956	12,529	4,053	831,488
Depreciation	11,156	34,169	9,838	1,347	3,439	59,949
Redemptions/derecognitions/transfers	(1,209)	(33,649)	(34,577)	(8)	-	(69,443)
Derecognitions for terminated leases	-	-	-	-	(1,970)	(1,970)
Changes in assets held for sale	-	-	26,704	-	-	26,704
Balance as of December 31, 2024	121,400	517,017	188,921	13,868	5,522	846,728
Depreciated cost:						
As of December 31, 2024	160,502	668,528	59,065	72,638	5,919	966,652

* As of December 31, 2024, there is an impairment provision in respect of disposable spare parts in an amount of NIS 4.8 million.

** As of December 31, 2024, the usage right asset balances include leased vehicles only.

Notes to the financial statements

Note 8 Fixed assets and right of use asset, net (cont.)

C. Non-current assets held for sale

The Company regularly takes steps to sell scrapped operational equipment. Accordingly, this operating equipment is presented as part of the current assets as a non-current asset held for sale, if any.

D. Company assets at the end of the authorization period

As part of the port reform in 2005, no mechanism was established for regulating the assets of the port companies in the event that the authorization expires or ends at the end of the 49 years of authorization. During the course of 2023, the Company's board of directors approved the agreement to transfer assets of the Company used for port operations at the end of the authorization period to the State or to a person instructed by the State to the Company. This agreement is part of the entire sale agreement in connection with the privatization of the Company.

E. Leases – Lease Agreement with the Israel Ports Company

On September 17, 2020, a lease agreement was signed between IPC and the Company, which sets out the user fees for the real estate assets in lieu of those previously set. The term of the lease agreement begins on January 1, 2021 and ends on February 16, 2054. Upon termination of the agreement, all buildings and permanent appurtenances to the port land will be transferred to the ownership of IPC (hereinafter: the “transferred assets”). The lease agreement included both graded lease payments and variable lease payments per year as described below:

Income in thousands of NIS	Usage fees for variable component – a percentage of revenue	Year	Fixed component usage fee in thousands of NIS
		1.1.2021-31.12.2025	
			0
Up to 550,000	1.75%	1.1.2026-31.12.2029	2,000
550,000 -750,000	4.25%	1.1.2030-31.12.2032	3,000
750,000 -1,000,000	7.3%	1.1.2033-31.12.2036	5,000
Over 1,000,000	10%	1.1.2037-31.12.2038	6,000
		1.1.2039-31.12.2040	7,000
		1.1.2041-31.12.2044	8,000
		1.1.2045-31.12.2047	10,000
		1.1.2048-17.02.2054	15,000

Notes to the financial statements

Note 8 Fixed assets, net (cont.)

In addition, as part of the lease agreement, IPC (the lessor) pays the Company (the lessee), starting from 2025, an annual amount equal to 30% of IPC's revenues from the granting of rights in real estate (located in Haifa Port territory but not transferred to it). The total cumulative payment that IPC shall make shall not exceed NIS 100 million over a period of five years. The payments are linked to the index (hereinafter: the "receipts from IPC"). As of the date of the financial statements, the Company received from IPC an aggregate amount of NIS 26.5 million.

In respect of fixed usage fees in respect of the aforementioned lease agreement, in 2021, the Company recognized a leasing liability against a right-of-use asset in the amount of NIS 92,400 thousand. The leasing liability was measured using the lessee's incremental interest rate of 3.76%.

In addition, the Company treated the amounts received from ICP as a lease incentive and accordingly, in 2021, the Company recognized a decrease in the right of use asset against an asset in respect of the receipts from IPC, which was presented gross from the liability in respect of the lease.

As of the date of the financial statements, the present value of the lease incentive recognized against a decrease in the right of use asset is NIS 84,993 thousand. See also Note 10.

Note 9 Intangible assets, net

Composition:

	As of December 31	
	2025	2024
	Thousands of NIS	
<u>Cost:</u>		
Balance as of January 1	103,564	101,396
Purchases	2,233	2,168
Balance as of December 31	<u>105,797</u>	<u>103,564</u>
<u>Accrued amortization:</u>		
Balance as of January 1	88,883	85,735
Reduction recognized during the year	<u>3,265</u>	<u>3,148</u>
Balance as of December 31	<u>92,148</u>	<u>88,883</u>
<u>Balance, net</u>		
As of December 31	<u>13,649</u>	<u>14,681</u>

Notes to the financial statements**Note 10 Israel Ports Company Ltd.**

Composition:

	As of December	
	31	
	2025	2024
	Thousands of	
	NIS	
Israel Ports Company in respect of lease incentive (a)	84,993	107,002
Israel Ports Company in respect of benefits to retirees	29,434	27,050
Total accounts receivable and debit balances	<u>114,427</u>	<u>134,052</u>

(a) For further details, please see Note 8 above.

Note 11 Fair value of financial instruments**A. Fair value compared to book value**

The book values of certain financial assets and liabilities, including cash and cash equivalents, trade accounts receivable, other receivables, suppliers and other payables are in line with their fair values.

B. Fair value matrix

The following is a table that presents an analysis of financial assets measured at fair value, according to a valuation method. The different levels were defined as follows:

Level 1 – Fair value measured by using quoted prices in an active market for identical instruments.

Level 2 – Fair value measured using observable and calculated data, directly or indirectly, not included in Level 1, as stated above.

Level 3 – Fair value measured by using data that is not based on observable market data .

Notes to the financial statements

Note 11 Fair value of financial instruments (cont.)

	<u>Level 1</u>
	<u>Thousands of NIS</u>
<u>2025:</u>	
Financial Assets – designated to fair value through profit and loss:	
Financial Assets	349,534
Financial assets intended for termination payments	496,284
Total 2025	<u>845,818</u>
<u>2024:</u>	
Financial Assets – designated to fair value through profit and loss:	
Financial Assets	334,984
Financial assets intended for termination payments	545,959
Total 2024	<u>880,943</u>

גאווה ישראלית, עוצמה עולמית

Notes to the financial statements

Note 12 Investment real estate

Composition and change during the period

	<u>2025</u>
Balance as of January 1, 2025	417,200
Additions, net	<u>9,244</u>
Balance of investment real estate as of December 31, 2025	<u><u>426,444</u></u>

1. Initial evaluation of the investment real estate

As from the date of the change in the classification to investment real estate, the Company has been measuring its investment real estate in accordance with the fair value model – i.e., at its fair value, determined by an external appraiser.

At the time of the reclassification to investment real estate, the difference between the book value of the right of use asset in respect of the "sea front" area and the fair value of the "sea front" area that was reclassified as investment real estate was carried to the revaluation fund as part of the statement of comprehensive income, net of the effect of deferred taxes. It should be noted that as a result of recognizing the deferred tax liability in respect of the revaluation of the fair value of the "sea front" area, the Company recognized a deferred tax asset in respect of loss carry forwards and deductible temporary differences for which deferred tax assets have not yet been recognized, against deferred tax income in profit and loss, up to the amount of the deferred tax liability in respect of the investment real estate.

Profit or loss deriving from changes in the fair value of investment real estate after the date of initial recognition are recorded in profit or loss for the period in which they arose under the item entitled "Changes in the fair value of investment real estate."

2. Areas designated for derecognition and receipt of replacement for them

Pursuant to the land agreement signed among the Company, the Israel Land Authority, the Israel Ports Company and the Haifa Municipality dated May 2022, it was determined that the parties confirm the existence of the agreements among them as detailed in the summary of principles regarding the derecognition of Area 607 from the Company's and the Israel Ports Company's certification area.

Notes to the financial statements

Note 12 Investment real estate (cont.)

The Company will hand over Lot 607 to the Israel Ports Company free of any object or person or pollution, and the Israel Ports Company will transfer it to the ILA as it received it from the Company. In addition, the parties agree to and approve the notice of the ILA pertaining to its intention to derecognize areas from their certification area located in the area of the Seafront in order to execute future planning, estimate at a total scope of 51 dunams. From the date of derecognition of Area 607, this area will not be part of the area of the Sea Front Project, the provisions of the Shipping and Ports Authority Law, as the case may be, shall not apply to it, and neither the Company nor the Israel Ports Company will have any responsibility regarding it. The sole responsibility shall be that of the ILA. Against the derecognition of Area 607, the ILA shall allocate and hand over territories to the Israel Ports Company. Against the derecognition of the additional area, the ILA shall allocate and hand over to the Israel Ports Company simultaneously and in accordance with the mechanism set forth in the detailed exchange agreement, alternative areas equal in value, according to the permitted uses of the Israel Ports Company to be agreed upon between the parties. The Israel Ports Company committed to transfer the alternative areas that it receives from the Israel Lands Administration on behalf of the derecognition of area 607 and the additional area for the use of the Company.

As an integral part of the replacement agreement as set out above, and in order to relocate port activity from the area of the sea front project, which includes, *inter alia*, significant investment in infrastructure in the other port areas, the ILA undertakes to transfer NIS 150 million to the Company.

During March 2024, an agreement was signed with the ILA (in connection with the transfer of possession of the land), according to which the date for the delivery of possession in Area 607 will be updated, so as to be until July 31, 2024, unless the parties agree otherwise in writing. Accordingly, possession of the said area was transferred on the date set. In addition, on the basis of certain milestones, the amount that the Company will receive was approved. The agreement is final and absolute.

During 2024, an amount of NIS 115 million was received on account of the receipts, in accordance with the milestones specified in the memorandum of understanding agreement. During 2025, an amount of NIS 35 million was received. This amount was recorded in the Company's books, against expenses and investments made in connection with the relocation of the activity in accordance with the discretion of Company Management, as follows: approximately NIS 19.9 million against investment real estate for costs attributed to the seafront, approximately NIS 77.6 million against investment in equipment, the transfer of warehouses and the preparation of areas, approximately NIS 7 million for profit and loss against relocation and adjustment expenses, and the balance of approximately NIS 45.5 million was recorded as advance income to be recognized against future expenses and investments. The balance of the amount of NIS 35 million will be received when the milestones set out in the Memorandum of Understanding are met.

Notes to the financial statements

Note 12 Investment real estate (cont.)

3. Areas for port activity

The Company has areas used for its port operations, with an immaterial part of these areas being leased every once in a while and for different periods of time to customers of the Company's port activity. As of the date of the financial statements, these areas are classified as fixed assets on the Company's books and as real estate used by owners. The valuation as detailed did not take these areas into account.

4. The cumulative change in the fair value recognized in profit and loss

During the reporting period, the Company did not carry changes to the statement of income as a result of changes in the fair value of investment real estate (the sea front). In 2024, the Company did carry income in amount of NIS 46,908 thousand.

Note 13 Liabilities to suppliers and service providers

Composition:

	As of December 31	
	2025	2024
	Thousands of NIS	
Israel Ports Company Ltd	28,578	29,997
Open debts to suppliers and service providers	15,324	15,429
Total suppliers and other service providers	43,902	45,406

Note 14 Employees and institutions in respect of payroll and related expenses

Composition:

	As of December 31	
	2025	2024
	Thousands of NIS	
Employees in respect of payroll*	17,188	34,639
Institutions in respect of payroll*	15,470	39,336
	32,658	73,975

* The balance as of December 31, 2025 and December 31, 2024 includes an amount of NIS 533 thousand and NIS 13,423 thousand, respectively, in respect of the share of the Company and the employees in the mutual aid fund. (See Note 7 above.)

Notes to the financial statements

Note 15 Accounts payable and credit balances

Composition:

	<u>As of December 31</u>	
	<u>2025</u>	<u>2024</u>
	<u>Thousands of NIS</u>	
Accrued expenses	80,248	59,934
Provision for vacation pay	18,440	17,796
Provision for damages	3,821	4,109
Advances from customers	3,091	3,040
Revenues received in advance	46,301	11,701
Other payables	3,643	2,362
	<u>155,544</u>	<u>98,942</u>

Note 16- Liabilities in respect of employee benefits, netA. General

- 1) As part of the restructuring carried out at the Ports Authority in 2005, agreements were signed to regulate labor relations, retirement conditions and financial balances to cover the liabilities resulting therefrom, as of the date of commencement.
- 2) In January 2020, a special collective agreement was signed regarding the reform in the Haifa Port. As part of the agreement, it was stipulated that the Company would be fully privatized and that the proceeds from privatization up to NIS 1 billion would be directed towards required future investments in port infrastructure. In addition, efficiency plans were agreed upon to improve output and productivity, job positions were cancelled and consolidated, partial salary increments were granted to employees in respect of efficiency, changes were made to the collective dismissal mechanism for non-founding second-generation employees, a safety net was established and a dedicated fund was established for premium payments, and an employment safety net was deployed for non-founding second-generation employees who remain for 10 years starting in 2021. Also, a plan was drafted for early retirement of veteran employees. In addition, it was determined that starting from NIS 800 million to NIS 1 billion, the difference will be transferred to the "new early retirement account." The amount of the difference will be used as a reserve to finance future early retirement plans, under conditions that will be agreed upon between Management and employee representatives. In addition, it was determined that this amount would not be used to finance previous retirement plans on the eve of the privatization. The said amount, or the remainder thereof, including its future income, will be released to the Company's coffers at the end of a period of 10 years from the date of completion of the privatization, and may be used for any purpose, at the Company's discretion. As part of the early retirement plan, employees will be able to choose to retire according to the 2014 plan (see Note 16(F)) or according to the new retirement plan. It was also decided to pledge the designated funds to finance the employees' retirement conditions.

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)

B. Summary of the retirement conditions of the Company's employees according to the various agreements

1) Retirement conditions of employees upon reaching retirement age

a) Employees transferring with budgetary pensions

As of the date of the report, the Company does not have any employees insured by budgetary pensions.

b) Employees with veteran accruing pensions

- A monthly addition, to the pension received from the veteran pension fund, to be paid by the company (hereinafter: an addition to the annuity). The calculation of the addition to the pension is made according to the mechanism described in the appendix to the agreement and is paid from the date of eligibility for annuities from the veteran pension fund.
- A discounted one-time payment of the aforementioned addition to survivors and recipients of a disability pension, before their entitlement to an old-age pension, in lieu of the disability pension.
- Graded grant in respect of non-utilization of sick days.
- A holiday gift of NIS 755, linked to the July 2004 index, paid twice a year.
- A monthly entitlement to purchase discounted shopping vouchers in the amount of NIS 650 and a grossed-up annual payment for cultural services in the amount of NIS 315. The amounts are linked to the November 2004 index.

גאווה ישראלית, עוצמה עולמית

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)

B. Summary of the retirement conditions of the Company's employees according to the various agreements (cont.)

2) Retirement conditions of employees under conditions that do not qualify for a pension

- Severance pay according to law, which the company customarily pays, even if the employee retired under circumstances that do not entitle him to severance pay by law.
- A capitalized payment of the addition to the annuity, as the term was defined above, according to the amount he accumulated during the period of his employment.

C. Conditions set for the management of designated accounts for financing the retirement conditions of employees with accrued pensions

Funds designated to cover the liability in respect of the addition to the pension to which employees with accruing pensions are entitled, together with the profits on them, up to 105% of the actuarial liability in respect thereof, are deposited in a separate account managed by the Company in trust for the eligible employees.

The total monthly contributions for transferring employees to a veteran accruing pension are at a rate of 30% of the salary components for which funds are deposited in the pension fund. Out of this percentage, the required amounts are initially set aside at a rate of 22.83% according to the Articles of Association of the veteran pension fund and to a personal severance fund, and the balance, at a rate of 7.17%, is deposited in a separate bank account managed by the Company in trust for the eligible employees, in order to finance the early retirement costs of employees with accruing veteran pensions.

D. Principles of actuarial calculations

To assess the financial liabilities in respect of employee benefits, the Company relies on actuarial calculations conducted by an external actuary. The calculation of the liability is carried out on the basis of wage agreements and the provisions of any law and in accordance with the personal data of the employees as provided to the actuary. As for the calculation of the addition to the pension for employees insured under a veteran accruing pension fund, the calculation is carried out in accordance with the provisions of Articles 29 and 30 and Appendix C of the Pension Agreement and based on a legal opinion.

The actuarial liability assessment is based on forecasts of future cash flows, which are expected based on a series of actuarial assumptions. These flows may differ from the forecast made. Similarly, these assumptions may change in the future due to various factors such as: changes in the assessment of life expectancy, changes in economic indicators, etc.

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)

The following is a summary of the principles and assumptions, used in the actuarial assessment, made for the Company by the external actuary:

D. Principles of actuarial calculations (cont.)

- 1) Regarding accruing pensions:
 - a) Annual increase rate of salary insured by pensions –
 - * All employees under collective agreements – a nominal increase of 2% from 2022 and thereafter.
 - * Employees in early retirement according to the 2020 reform agreement – a nominal increase of 0.85% per annum.
 - * Employees under personal agreements – the rate of annual wage increase as per the increase in the consumer price index.
 - b) Lifespan Schedules: In accordance with Circular 5-9-2024 issued by the Capital Market, Insurance and Savings Department.
 - c) Retirement age:
For employees with accumulating pensions – men 67, women 62-67, in accordance with the Retirement Age Law.
 - d) The addition to the pension paid to accrued pension employees who retired was calculated on the basis of Appendix C to the Pension Agreement of February 24, 2005, as stated above, and based on a legal opinion.
 - e) The capitalization rate of actuarial liabilities in accruing pensions is based on the yield on high-quality corporate bonds.
- 2) Regarding severance pay:
 - a) * Actuarial tables used by the actuary: Tables included in the instructions of the Supervisor of Insurance for pension funds for the preparation of actuarial reports.
 - * Lifespan Schedules: In accordance with Circular 5-9-2024 issued by the Capital Market, Insurance and Savings Department.
 - b) Uniform cessation of employment schedule for men and women. The probabilities of cessation also include the probability of dismissal.
 - c) Severance pay is paid in case of workman's disability, death (for survivors/heirs), reaching mandatory retirement age (men 67, women 62-67).
 - d) * All employees under collective bargaining agreements – a nominal increase of 2% from 2022 and thereafter.
 - * Employees under early retirement according to the 2020 reform agreement – a nominal increase of 0.85% per annum.
 - * Employees under personal contracts – the rate of annual wage increase equal to the increase in the consumer price index.

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)

D. Principles of actuarial calculations (cont.)

2) Regarding severance pay (cont.):

- e) As of December 31, 2025, the annual nominal discount rate 5.3%, which is the annual nominal yield on high-quality corporate bonds in the corresponding duration of the liability.
- f) The forecasted increase in the CPI is determined as the gap between the CPI-indexed interest rate curve and the nominal interest rate curve, and is updated from month to month.
- g) The Company has long-term liabilities to some of its employees only on the subject of the supplementary severance pay at a rate of only 2.33%.
- h) The actuarial assessment was based on the Projected Unit Credit method as required by the revised IAS 19 and by generally accepted actuarial principles.

3) Assets and liabilities due to employee benefits:

Employee benefits include short-term benefits, post-employment benefits, and other long-term benefits.

4) Post-employment benefits

Labor laws and the Severance Pay Law in Israel require the Company to pay Severance pay to an employee upon dismissal or retirement or to make regular deposits in defined deposit plans pursuant to section 14 of the Severance Pay Law, as described below. The Company's liability as a result of this is treated as a post-employment benefit. The calculation of the Company's liability in respect of employee benefits is carried out according to a valid employment agreement and is based on the employee's salary and period of employment, which create the right to receive severance pay.

Employee post-employment benefits are usually funded by deposits that are classified:

a) Defined deposit plans

Regarding some of the severance pay and pension payments, the terms of section 14 of the Severance Pay Law, 5723-1963 apply, whereby the Company's ongoing deposits in pension funds and/or provident funds and/or policies in insurance companies exempt the Company from any additional obligation to the employees, for which the amounts were deposited as stated above. These deposits as well as deposits for annuities constitute defined deposit plans.

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)

D. Principles of actuarial calculations (cont.)

4) Post-employment benefits (cont.)

a) Defined deposit plans (cont.)

	Year ended December 31	
	2025	2024
	Thousands of NIS	
Expenses in respect of defined-deposit plans	<u>31,216</u>	<u>31,988</u>

b) Defined Benefit Plans

The part of pension payments that is not covered by deposits in defined deposit plans, as mentioned above, is treated by the Company as a defined benefit plan. In respect of this liability, there are funds in which the Company deposits monies. The amount of assets for pensions and other benefits, included in the statements of financial position, reflects the total balances of assets in respect of employee benefits.

The weighted average life span of the defined benefit plan is 9.94%.

1) Expenses carried to the statement of comprehensive income:

	Year ended December 31	
	2025	2024
	Thousands of NIS	
Interest expenses in respect of the liability for benefits	4,175	4,444
Cost of ongoing service	1,475	2,092
Actuarial loss recognized this year, before tax	6,011	362
Total expenses in respect of employee benefits	<u>11,661</u>	<u>6,898</u>

2) Changes in the present value of the liability in respect of a defined benefit plan:

	Year ended December 31	
	2025	2024
	Thousands of NIS	
Balance as of January 1	73,145	77,027
Interest expenses in respect of the liability for benefits	4,175	4,444
Cost of ongoing service	1,475	2,092
Paid benefits	(9,049)	(10,780)
Actuarial profit recognized this year, before tax	6,011	362
Balance as of December 31	<u>75,757</u>	<u>73,145</u>

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)

D. Principles of actuarial calculations (cont.)

4) Post-employment benefits (cont.)

b) Defined Benefit Plans (cont.)

3) The main assumptions in determining the liability for a defined benefit plan:

	Year ended	
	December 31	
	2 0 2 5	2 0 2 4
	%	%
The discount rate for accruing pensions based on weighted average internal rate of return	5.1%	6%

c) Liability in respect of redemption of sick days – defined benefit plan:

1) Company employees (excluding employees under a personal contract) are entitled to redeem accrued and unused sick days in accordance with the terms specified in the employment agreements.

In accordance with the labor agreements, a calculation was made according to a formula which states that the sick days for which the employee is entitled to a grant (redemption of sick days) are the result of the relative utilization of sick days by the employees during their employment period, as detailed below:

<u>Sick leave utilization</u>	<u>Number of sick days payable</u>
Less than 36%	8 days, for every 30 days unused from the balance.
36% - 65%	6 days, for every 30 days unused from the balance.
Over 65%	0 days.

2) Actual redemption is possible only for employees who at the time of termination of their employment were at least 50 years old, and the rate of redemption to which they are entitled is as follows:

<u>Age at the time of termination of service</u>	<u>An employee born on or before 31/12/1965</u>	<u>An employee born on or after January 1, 1966</u>
50	30%	30%
51	40%	40%
52	50%	50%
53	60%	60%
54	70%	70%
55	100%	80%
56	100%	90%
57 and older	100%	100%

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)

D. Principles of actuarial calculations (cont.)

4) Post-employment benefits (cont.)

c) Liability in respect of redemption of sick days – defined benefit plan (cont.):

- 3) The calculations are based on the value of sick days in the salary of November 2024.
- 4) Before retirement age, there may be "departures" due to disability (loss of work capacity), death or "normal" departure from the place of employment.
- 5) Lifespan schedules: In accordance with circular 5-9-2024 publicized by the Capital Market, Insurance and Savings Department.
- 6) Assumption that in the future the rate of utilization of sick days will be the same as it was in the past (as a function of age). The higher the age, the higher the rate of sick leave utilization allows for the accumulation of a maximum redemption balance, provided of course that the seniority at work in the Company is large. Since the Company's employee population is small, it is not possible to prepare a specific sick leave utilization schedule as a function of age, gender, seniority in the Company, etc.
- 7) Full utilization of sick days for cases of disability for employees insured by the veteran accruing pension fund, in accordance with the regulations of the veteran pension fund.
- 8) The annual nominal discount rate is 5.1% as of December 31, 2025, which is the annual nominal yield on high-quality corporate bonds.
- 9) * All employees under collective agreements – a nominal increase of 2% from 2022 and thereafter.
* Employees in early retirement according to the 2020 reform agreement – a nominal increase of 0.85% per annum.
* Employees under personal agreements – the rate of annual wage increase is equal to the increase in the consumer price index.
- 10) The following is the balance of the liability in respect of redemption of sick days:

	As of December 31	
	2025	2024
	Thousands of NIS	
Balance of the liability in respect of redemption of sick days	11,850	11,253

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)E. Details of transactions and balances

1) Composition and movement of liabilities in respect of employee benefits

	<u>Accruing pension</u>			<u>Total accruing pension</u>	<u>Benefits for retirees</u>	<u>Retirement Grants</u>		<u>2 0 2 5</u>	<u>2 0 2 4</u>
	<u>Annuity Supplement*</u>	<u>Early Retirement</u>				<u>In respect of non- utilization of sick days</u>	<u>In respect of severance pay</u>		
		<u>Veteran pension</u>	<u>New pension</u>						
	Thousands of NIS								
Balance at the beginning of the year	40,200	195,221	172,018	407,439	27,050	11,253	16,427	462,169	519,641
Movement:									
Pension payments	(3,923)	(38,129)	(16,139)	(58,191)	-	(1,415)	-	(59,606)	(94,967)
Update of liability to IEC receivable	-	-	-	-	2,384	-	-	2,384	545
Actuarial loss (profit) carried to other comprehensive income	2,387	417		2,804	-	960	2,248	6,012	(3,402)
Cost of current service, interest and actuarial loss carried to profit and loss	2,236	25,669		27,905	-	1,052	2,113	31,070	40,352
Total movement in the period, net	700	(24,292)	(3,890)	(27,482)	2,384	597	4,361	(20,140)	(57,472)
Total	40,900	170,929	168,128	379,957	29,434	11,850	20,788	442,029	462,169
Current maturity	-	-	-	-	-	-	-	(1,373)	(1,373)
Year-end balance	40,900	170,929	168,128	379,957	29,434	11,850	20,788	460,796	460,796

* Includes supplementary compensation component of 6% and joint pension (in respect of retirees who transitioned from budgetary pension to Nativ's veteran accruing pension).

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)E. Details of transactions and financial balances (cont.)

2) Composition and movement designated to cover liabilities:

	Accrued pension			Total accruing pension	Retirement Grants In respect of non- utilization of sick days	2025**	2024**
	Annuity Supplement *	Early Retirement					
		Veteran pension	New pension				
	Thousands of NIS						
Balance as of the beginning of the year	85,886	186,202	26,317	298,405	28,986	327,391	394,870
Movement:							
Withdrawals	(3,923)	(38,129)	(16,139)	(58,191)	(1,415)	(59,606)	(94,967)
Additional payments returned to current	10	(8,226)	(10,602)	(18,818)	14	(18,804)	11,470
Income in the period	1,428	10,982	2,981	15,391	1,460	16,851	16,018
Total movement for the year, net	(2,485)	(35,373)	(23,760)	(61,618)	59	(61,559)	(67,479)
Total	83,401	150,829	2,557	236,787	29,045	265,832	327,391
Current maturity	-	-	-	-	-	-	(1,373)
Year-end balance	83,401	150,829	2,557	236,787	29,045	265,832	326,018

* Includes supplementary severance component of 6% and joint pension (in respect of retirees who transitioned from budgetary pension to Nativ's veteran accruing pension).

** Financial assets designated for payment of employee benefits in the statement of financial position includes an amount of NIS 230 million as of December 31, 2025 and an amount of NIS 219 million as of December 31, 2024, for purposes of the future retirement plan. See also Note 27(e).

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)E. Details of transactions and financial balances (cont.)

3) Balance of funded amounts for employee benefits less the balance of liabilities*:

	<u>Accruing pension</u>			<u>Retirement Grants</u>			<u>2025</u>	<u>2024</u>	
	<u>Annuity Supplement</u>	<u>Early Retirement</u>		<u>Total accruing pension</u>	<u>Benefits for retirees</u>	<u>For non-utilization of sick days</u>			<u>In respect of severance pay</u>
		<u>Veteran pension</u>	<u>New pension</u>						
	Thousands of NIS								
Total funded amounts as detailed in section (2) above	83,401	150,829	2,557	236,787	-	29,045	-	265,832	326,018
Total liabilities as detailed in section (1) above	<u>(40,900)</u>	<u>(170,929)</u>	<u>(168,128)</u>	<u>(379,957)</u>	<u>(29,434)</u>	<u>(11,850)</u>	<u>(20,788)</u>	<u>(442,029)</u>	<u>(460,796)</u>
Surplus (deficiency) funded portion over liability	<u>42,501</u>	<u>(20,100)</u>	<u>(165,571)</u>	<u>(143,170)</u>	<u>(29,434)</u>	<u>17,195</u>	<u>(20,788)</u>	<u>(176,197)</u>	<u>(134,778)</u>

* It should be noted that the Company's funded amounts do not meet the definition of "plan assets" within the meaning of International Accounting Standard 19 "Employee Benefits".

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)E. Details of transactions and financial balances (cont.)

4) Amounts carried to the statement of comprehensive income for the years ended December 31, 2025 and December 31, 2024:

Year 2025

	<u>Accrued pension</u>			<u>Retirement Grants</u>		<u>Total</u>
	<u>Annuity Supplement</u>	<u>Early retirement</u>	<u>Total accruing pension</u>	<u>For non-utilization of sick days</u>	<u>In respect of severance pay</u>	
	<u>Thousands of NIS</u>					
In the profit and loss statement, in the payroll expenses section:						
Cost of ongoing service	-	-	-	431	1,044	1,475
Interest expenses	2,236	243	2,479	629	1,069	4,177
In the profit and loss statement, in the expenses in respect of implementation of early retirement section (2020 Plan):						
Expenses in respect of implementation of early retirement, net	-	25,427	25,427	-	-	25,427
In the other comprehensive income statement:						
Actuarial profit (loss)	2,387	417	2,804	960	2,247	6,011
In the financing income section:						
Profits in funded amounts	1,428	13,963	15,391	1,460	-	16,851

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)E. Details of transactions and financial balances (cont.)

4) Amounts carried to the statement of comprehensive income for the years ended December 31, 2025 and December 31, 2024:

Year 2024

	<u>Accrued pension</u>			<u>Retirement Grants</u>		<u>Total</u>
	<u>Annuity Supplement</u>	<u>Early retirement</u>	<u>Total accruing pension</u>	<u>For non-utilization of sick days</u>	<u>In respect of severance pay</u>	
	<u>Thousands of NIS</u>					
In the profit and loss statement, in the payroll expenses section:						
Cost of ongoing service	736	-	736	414	942	2,092
Interest expenses	2,375	418	2,793	116	987	3,896
In the profit and loss statement, in the expenses in respect of implementation of early retirement section (2020 Plan):						
Expenses in respect of implementation of early retirement, net	-	30,164	30,164	-	-	30,164
In the other comprehensive income statement:						
Actuarial profit (loss)	1,657	1,828	3,485	(1,726)	(1,397)	362
In the financing income section:						
Profits in funded amounts	(3,714)	(11,016)	(14,730)	(1,288)	-	(16,018)

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)

F. Liabilities in respect of early retirement for employees in old and new accruing pensions

In 2014, the Company passed a voluntary retirement plan for its employees, which was valid until March 31, 2014. In accordance with the plan, which was approved by the Company's board of directors, by the Government Companies Authority and by the Commissioner of Wages at the Ministry of Finance, the Company pays employees who have retired and who are insured by a veteran accruing pension, a temporary benefit during the early retirement period and provident contributions to the veteran pension fund for a period of up to 5 years from the earlier of the date of retirement or until the retiree reaches the legal retirement age. In addition, all retiring employees are entitled, in accordance with this plan, to one-time retirement grants. This early retirement plan (the "2014 Plan") was treated in the financial statements as a post-employment benefit – a defined benefit plan and therefore an actuarial profit or loss for it was carried to other comprehensive income (and the cost of ongoing service and financing was carried to operating expenses).

In January 2020, a special collective agreement was signed (regarding the Haifa Port reform) in which a voluntary retirement plan for the Company's employees was agreed upon (the "2020 Retirement Plan"), approved by the Company's Board of Directors, the Government Companies Authority and the Commissioner of Wages at the Ministry of Finance, whereby the Company will pay retiring employees insured by an accruing old pension or a new accruing pension, a temporary benefit during the early retirement period and provident contributions to the pension fund until the retiree reaches the legal retirement age. In addition, all employees who have retired, in accordance with this program, are entitled to one-time retirement grants.

Employees were entitled to choose to retire under the terms of the 2014 plan or under the terms of the 2020 plan, when the employees' retirement ended on December 31, 2024.

As part of the plan, 195 veteran employees of the company retired. It should be clarified that most of the funds earmarked for financing the retirement plan originate from the surplus funded amounts (of the retirement plan funds) that the Company has accumulated over the years. The Company expects that the expected fruits over the years of the surplus funded amounts will increase the financial sources for financing this program.

This early retirement plan (the "2020 Plan") was treated in the financial statements as a termination plan and therefore actuarial profit or loss for it was carried to profit and loss (as well as ongoing service and financing cost) and was presented in the statement of income on a separate line "Implementation of the Reform Plan – Early Retirement".

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)

- F. Liabilities in respect of early retirement for employees in old and new accruing pensions (cont.)

Implementation of an Early Retirement Reform Plan

During 2025, the Company recorded on a separate line in the Statement of Income, "Implementation of an Early Retirement Reform Plan", an increase of the liability in respect of the retirement plan in the amount of NIS 25.4 million, deriving mainly from other actuarial losses of NIS 6.8 million, in addition to the expenses of the "ongoing service cost of the retirement plan" and interest expenses of NIS 18.6 million.

- G. Compensation for employees in connection with the privatization of the company and the retirement plan

On January 10, 2023, the acquisition transaction (hereinafter: the "Privatization Agreement" or the "Purchase Agreement") was completed, after which the Company became a private company. As a result, employees of the Company are entitled to payments resulting from the completion of privatization and the sale of the Company's shares (whether these payments are paid by the Company or by the State).

During the course of 2024, grants were paid in respect of the privatization plan to senior officers and other employees of the Company, in a total amount of NIS 1.8 million. In addition, during 2024, an amount of NIS 58.9 million was recorded in respect of the retirement of second-generation employees.

גאווה ישראלית, עוצמה עולמית

Notes to the financial statements

Note 16- Liabilities in respect of employee benefits, net (cont.)

H. Sensitivity analyses of the main components (early retirement plan):

The following is a sensitivity analysis of the early pension and provident components:

	Change rate	Change in thousands of NIS
Discount interest rate increase	0.5%	8,095
Decrease in discount interest rate	-0.5%	(8,441)

Note 17- Equity attributed to the shareholders of the Company

Composition:

	As of December 31	
	2025	2024
	Ordinary shares of NIS 1	
Number of shares authorized	400,000,000	400,000,000
Number of shares issued and paid-in	1,330	1,330

גאווה ישראלית, עוצמה עולמית

Notes to the financial statements

Note 18- Financial instruments

The Company's financial assets primarily include cash and cash equivalents, short-term deposits, securities, trade accounts receivable, accounts receivable and debit balances, liabilities to suppliers and service providers, accounts payable and credit balances, and long-term financial liabilities.

The book values of the financial assets and liabilities included in the sections of the statements of financial position constitute an approximation of fair value.

A. The Company's activities expose it to risks related to various financial instruments such as interest rate risk, currency risk and credit risk. The Company's risk management focuses on activities to minimize possible negative effects on the Company's financial performance.
The management of the Company's financial risks is under the responsibility of the Chief Financial and Economics Officer.

- 1) Credit risk – The Company's revenues derive from a wide dispersion of various customers. The Company's credit customers set up a deposit or guarantee to ensure payment of their debt. The Company regularly examines the quality of customer balances in order to determine the amount of the provision for doubtful debts.
- 2) Liquidity risks derive from management of the Group's working capital, as well as from financing expenses and repayment of the principal of the Group's debt instruments. The Group's policy is to ensure that the cash that is held is always sufficient to cover the liabilities when they come due.

Notes to the financial statements

Note 18- Financial instruments (cont.)

c. Linkage terms of monetary balance as of December 31, 2025:

	Foreign currency	Index- linked	Unlinked	Total
Assets				
<u>Current assets:</u>				
Cash and cash equivalents	40	-	1,361,898	1,361,938
Short-term financial assets and deposits	4	155,368	194,320	349,692
Trade accounts receivable, net	-	-	9,604	9,604
Accounts receivable and debit balances	-	54	41,905	41,959
Total	44	155,422	1,607,727	1,763,193
<u>Non-current assets:</u>				
Long-term debit balance - mutual aid fund	-	-	27,225	27,225
Long-term investments	-	-	496,105	496,105
Financial assets designated for the payment of employee benefits	-	65,105	431,179	496,284
Israel Ports Company Ltd.	-	84,993	29,434	114,427
Total	-	150,098	983,943	1,134,041
Liabilities:				
<u>Current liabilities:</u>				
Suppliers and service providers	1,361	-	42,541	43,902
Employees and institutions for payroll and related expenses	-	-	32,658	32,658
Liabilities in respect of the privatization grant to employees	-	-	1,000	1,000
Current maturities of leasing liabilities	-	-	4,775	4,775
Accounts payable and credit balances	-	-	155,544	155,544
Total	1,361	-	236,518	237,879
<u>Non-current liabilities:</u>				
Liabilities in respect of employee benefits	-	-	442,029	442,029
Leasing liabilities	-	-	111,334	111,334
Total	-	-	553,363	553,363

Notes to the financial statements

Note 18- Financial instruments (cont.)

d. Linkage terms of monetary balance as of December 31, 2024:

	Foreign currency	Index- linked	Unlinked	Total
Assets				
<u>Current assets:</u>				
Cash and cash equivalents	96	-	81,861	81,957
Financial assets and short-term deposits	4	155,327	1,450,681	1,606,012
Trade accounts receivable, net	-	19	7,948	7,967
Accounts receivable and debit balances	-	54	50,026	50,080
Total	100	155,400	1,590,516	1,746,016
<u>Non-current assets:</u>				
Long-term debit balance - mutual aid fund	-	-	28,105	28,105
Long-term investments	-	-	473,258	473,258
Financial assets designated for the payment of employee benefits	-	68,565	477,394	545,959
Israel Ports Company Ltd.	-	107,002	27,050	134,052
Total	-	175,567	1,005,807	1,181,374
Liabilities:				
<u>Current liabilities:</u>				
Suppliers and service providers	3,702	-	41,704	45,406
Employees and institutions for payroll and related expenses	-	-	73,975	73,975
Liabilities in respect of the privatization grant to employees	-	-	1,000	1,000
Current leasing liabilities	-	-	3,327	3,327
Accounts payable and credit balances	-	-	98,942	98,942
Dividend payable	-	-	55,000	55,000
Total	3,702	-	273,948	277,650
<u>Non-current liabilities:</u>				
Liabilities in respect of employee benefits	-	-	460,796	460,796
Leasing liabilities	-	-	109,990	109,990
Total	-	-	570,786	570,786

Notes to the financial statements

Note 19- Revenues

Composition

	Year ended December 31	
	2 0 2 5	2 0 2 4
Thousands of NIS		
Cargo services	579,951	491,230
Infrastructure fees – Haifa Port Company	111,257	119,097
Services to ships	41,543	36,523
Rental fees in yellow areas	26,987	23,392
Other services	12,104	10,156
	771,842	680,398

Note 20- Cost of revenues

Composition:

	Year ended December 31	
	2 0 2 5	2 0 2 4
Thousands of NIS		
Payroll and related expenses in operational departments	280,020	277,246
Depreciation and amortization	61,127	55,723
Operations and maintenance of equipment	86,977	69,988
Usage Fees (appendix a)	50,593	42,383
Security	33,883	28,460
Electricity, water and municipal taxes	38,028	32,467
Insurance	9,448	10,157
Social, cultural and welfare activities for employees	4,024	3,867
Office expenses and communications	2,281	2,331
Others	1,786	969
	568,167	523,591

Appendix A – Usage fees

	Year ended December 31	
	2 0 2 5	2 0 2 4
Thousands of NIS		
Fixed usage fees according to the Shipping and Ports Authority Law*	30,874	27,216
Proper usage fees - variable component	19,719	15,167
	50,593	42,383

* See Note 1(E).

Notes to the financial statements

Note 21 General and administrative expenses

Composition:

	Year ended December 31	
	2025	2024
	Thousands of NIS	
Labor wages, salaries and related expenses	63,122	65,255
Computers and information systems	13,678	12,772
Depreciation and amortization	7,274	7,402
Professional consultation fees	6,230	6,535
Electricity, water and municipal taxes	2,387	1,669
Advocacy and public relations	1,822	1,955
Social, cultural and welfare activities for employees	1,725	1,520
Insurance	1,051	1,348
Office expenses and communication	804	829
Board of Directors	614	693
Others	2,313	2,955
	101,020	102,933

Note 22 Other expenses/income, net

Composition:

	Year ended December 31	
	2025	2024
	Thousands of NIS	
Other income (expenses) and in respect of prior years	2,760	(10,552)
Expense reimbursement – investment real estate (see also Note 12 above)	-	6,930
Income and expenses in connection with IPC (see also Note 25(B)(3)(a)*)	-	946
Capital gain (loss) on the sale of fixed assets, net	(2,815)	232
	(55)	(2,444)

* As of December 31, 2024, the amount includes a decrease of NIS 946 thousand in the provision vis-à-vis IPC, in respect of privatization grants from the Marine Department.

Notes to the financial statements

Note 23 Financing Income / Expenses

Composition:

	Year ended December 31	
	2025	2024
	Thousands of NIS	
<u>Financing income</u>		
Interest income	84,200	82,254
Gains on investments financial assets restricted as to use	27,548	20,072
Income from financial assets	20,171	9,322
Interest income on leasing liability	127	1,474
Interest on income tax	19	
Gains on changes in exchange rates, net	26	358
<u>Financing income</u>	<u>132,091</u>	<u>113,480</u>
 <u>Financing expenses</u>		
Management fees and bank commissions	409	459
	<u>409</u>	<u>459</u>

Note 24 Taxes on income

A. Tax rates applicable to the Company

Current taxes for the reporting periods are calculated at a tax rate of 23% (from 2018 and thereafter).

B. Tax assessments

The Company has final tax assessments up to and including the 2019 tax year. The Company has filed its own tax self-assessments for the tax years 2020-2022.

Reporting an assessment according to best judgment

On December 30, 2025, the Company received assessments according to best judgment, issued by the Haifa Tax Assessor for the tax years 2020-2022. As part of the assessments, the Tax Authority disagreed with the Company's reports on a number of key issues, including the classification of profits and withdrawals from accounts designated for employee benefits, recognition of income due to eligibility for a privatization grant, and calculation of capital gain from the sale of an activity.

As a result of the Tax Assessor's determinations, the total cumulative taxable income for the three years was approximately NIS 271.1 million in relation to the reports originally filed.

The Company, in consultation with its legal counsel and tax consultants, disagrees with the Tax Assessor's determinations and intends to file an objection to the assessment on the dates prescribed by law. In the opinion of Company Management, there are good defense arguments against the aforementioned determinations and, therefore, the provisions in the financial statements are sufficient to cover the tax exposures resulting from the aforementioned assessment.

Notes to the financial statements

Note 24 **Taxes on income (cont.)**

C. Tax loss carryforwards

As of December 31, 2025, the Company has capital tax loss carryforwards amounting to NIS 70 million, which are carried forward to the coming years.

D. Legislation to regulate tax aspects deriving from the restructuring process

- 1) As part of the Ports Authority's restructuring process, which was carried out through legislation, discussions were held between the Tax Authority, the Government Companies Authority and representatives of the Port Companies and IPC, and regulations were drafted regulating various tax issues arising from the restructuring process that was carried out.
- 2) In connection with the tax calculations, recognition of deferred taxes and recording assets and liabilities as of the commencement date, the Company implemented the following:
 - The balance of assets for tax purposes, including the date of purchase, shall be according to the balances that would have been calculated had they been managed in the accounting records of the Ports Authority. The Company reconstructed the asset data for tax purposes, as they were, to the best of its knowledge, in the Ports Authority's books for tax purposes. This was based on past reports submitted for tax purposes and on the basis of the division of assets handed over to the Company by the State, as described above. It should be noted that the special report in accordance with article 11(2) of the Shipping and Ports Authority Regulations (Provisions regarding tax law), 5769-2009 was submitted to the Tax Authority.
 - Accordingly, the calculation of the deferred taxes was made in respect of the difference between the balances for tax purposes as calculated by the Company, and the balances of assets recorded on the basis of the fair value calculated as stated above.
 - Payments from the funds to cover the Company's liabilities in respect of employee benefits are recognized as an expense for tax purposes.

Notes to the financial statements

Note 24 Taxes on income (cont.)

E. Deferred taxes

Composition:

	Statements of financial position as of December 31		Statements of comprehensive income for the year ended December 31	
	2025	2024	2025	2024
	Thousands of NIS		Thousands of NIS	
<u>Deferred tax assets</u>			<u>Tax expenses (tax income)</u>	
Provision for non-utilization of sick days	2,726	2,588	(138)	773
Privatization grants to employees	230	230	-	302
Employee benefits	93,540	98,858	5,318	12,572
Vacation provision	4,241	4,093	(148)	(137)
Capital tax loss carryforwards	16,081	15,371	(710)	(5,648)
Thirteenth month salary	1,092	454	(638)	692
Provision for doubtful debts	577	577	-	(50)
Usage right asset	6,092	90	(6,002)	(82)
Receipts from white areas	9,637	9,637	-	-
Business tax loss carryforwards	-	37,651	37,651	554
Provision for spare parts	1,461	1,111	(350)	-
Loss on as-yet-unrealized securities	-	-	-	2,196
Total	135,677	170,660	34,983	11,172
<u>Deferred tax liabilities</u>			<u>Tax expenses (tax income)</u>	
Fixed assets	89,284	91,548	(2,264)	(3,387)
Unrealized gains on securities	4,200	4,713	(513)	4,713
Investment real estate	97,289	97,289	-	10,789
Accrued expenses in respect of employees	1,060	1,203	(143)	(55)
	<u>191,833</u>	<u>194,753</u>	<u>(2,920)</u>	<u>12,060</u>

Notes to the financial statements

Note 24 Taxes on income (cont.)

F. Income taxes included in the statements of comprehensive income

Composition:

	Year ended December 31	
	2025	2024
	Thousands of NIS	
Current tax expenses	12,076	-
Deferred tax expenses carried to profit or loss	32,062	23,232
Deferred tax expenses carried to other comprehensive income in respect of actuarial losses	1,382	84
Prior years' tax expenses	7,500	-
Total tax expenses in the statement of income	53,020	23,316

G. Theoretical tax

The following is a reconciliation between the theoretical tax amount and the amount of taxes on income recognized in profit or loss:

	Year ended December 31	
	2025	2024
	Thousands of NIS	
Income before taxes on income	208,855	120,480
Statutory tax rate	23%	23%
Tax expenses at statutory tax rate	48,037	27,710

Increase (decrease) in taxes on income due to the following factors:

Temporary differences for which no deferred taxes were recognized in the period and in prior periods	(1,291)	(1,918)
Change in decline in value of deferred taxes		-
Depreciation recognized for tax purposes	(2,107)	(3,293)
Non-deductible expenses net of tax-exempt income	208	204
Other differentials	673	613
Prior years' taxes	7,500	-
Total taxes on income	53,020	23,316

Notes to the financial statements

Note 25 Commitments, contingent liabilities, guarantees and liens

A. Commitments

The following is a list of the Company's material commitments as of the date of approval of the financial statements:

As part of the Company's preparations for competition regarding ports, Company Management, in coordination with IPC, decided to carry out extensive rehabilitation work at the Kishon West pier. Rehabilitation work on the pier began in March 2021 and was concluded in January 2025. The Company's share in the execution of the project amounted to NIS 27 million.

In 2023, the Company entered purchase agreements for the acquisition of a mobile crane for Kishon Pier, for the acquisition of other heavy equipment for projects scheduled to end by the end of March 2026, for a total amount of NIS 36.6 million. An amount of 1.7 million has not yet been recorded in the financial records.

B. Contingent liabilities

- 1) Liabilities for cargo damage, dockworker damage, work accidents and damages to third parties.

The Company was served with monetary demands and lawsuits for damages to cargo damages, dockworker damages, work accidents and damages to third parties in the aggregate amount of NIS 57,392 thousand. In the opinion of Company Management and its legal counsel, and regarding legal claims based on the opinions of its legal counsel, the risk to the Company in respect of the aforementioned financial demands and legal claims amounts to NIS 3,821 thousand. Accordingly, an appropriate provision was recorded in the Company's financial statements.

Notes to the financial statements

Note 25 **Commitments, contingent liabilities, guarantees and liens**

B. Contingent liabilities (cont.)

- 2) Liabilities in respect of employment agreements and employee claims -
- a) Lawsuits were filed against the Company regarding employer-employee relations for a total amount of NIS 4,977 thousand. In the opinion of Company Management, based on the opinions of its legal counsel, the risk to the Company in respect of these claims amounts to NIS 160 thousand. Accordingly, an appropriate provision was recorded in the Company's financial statements.

- b) Remuneration of senior management members for privatization:
During 2022, the Government Companies Authority also approved a grant outline for members of senior management (employees having personal contracts) in the event of the termination of their employment in connection with the privatization of the Company. The total cost of the grant and retirement arrangement for senior management members, which has already been approved by the Company's board of directors and the Government Companies Authority, amounted to NIS 8.5million. As of the reporting date, there were two employees who are entitled to this retirement grant. During the reporting year, no additional expenses were recorded.

- 3) Liabilities in respect of other lawsuits -

Financial demands and other lawsuits were filed against the Company totaling NIS 127,150 thousand. In the opinion of Company Management, based on the opinion of its legal counsel, there is no risk to the Company in respect of the aforementioned financial demands and legal claims, except for a suit presented in paragraph c, below.

The following are details of the financial demands and the other substantial legal claims:

- a. Litigation with IPC

As part of the port reform in 2005, no mechanism was established for regulating the assets of port companies in the event that the authorization expires or ends at the end of the 49-year authorization. In March 2022, the Company's Board of Directors approved the agreement to transfer the Company's assets used for port operations, at the end of the authorization period, to the State or to a person the State instructs the Company to transfer them to. This agreement is part of the entire range of sales agreements in connection with the privatization of the Company. On January 10, 2023, the State signed the asset transfer agreement, which was attached as Appendix G to the Company's updated writ of authorization. According to the agreement, during the authorization period, the Company is required to submit annually to the manager of the Shipping and Port Authority a list of all the Company's assets that it held in the previous year, in which the changes that occurred in the position of assets during that year will be marked.

Notes to the financial statements

Note 25 **Commitments, contingent liabilities, guarantees and liens**

B. Contingent liabilities (cont.)

3) Liabilities in respect of other lawsuits (cont.) –

a. Litigation with IPC (cont.)

In addition, as of January 10, 2023 and for the duration of the authorization period, the Company is required to submit a written request to the Manager of the Shipping and Port Authority for any property for which the Company is interested in receiving a commitment from the State to purchase at the end of the authorization. The agreement stipulates that the State will pay the Company consideration for the transferred assets in the amount of up to NIS 400 million, while the State reserves its right to determine the equipment it wishes to purchase at the end of the authorization, as well as to change the list and increase the amount. The valuation of the assets on the approved list, which the State wishes to purchase, will be done by an appraiser on behalf of the State.

b. Letter of demand from the Israel Electric Corporation Ltd. ("IEC")

In 2010, the Company received a draft statement of claim of the Israel Electric Corporation for NIS 17 million against the Company and the Israel Ports Development and Properties Company Ltd. The basis of the draft claim was the IEC claim that negotiations conducted by it with the two companies for the purchase of land near the port, which were unsuccessful, caused it large expenses due to the assumption/promise that the land would be purchased by the companies. The IEC is suing for its investments in manpower and material due to the negotiations, which, as stated, were terminated through a notice given to it by the two companies. In 2016, IEC approached the Companies Authority with a request to settle a dispute and raised the amount of the claim to NIS 25 million. In 2022, the Company informed IEC that the procedural arrangement reached would not be able to remain in effect on the date of completion of the privatization. However, IEC replied to the Company that as far as the Company was concerned, the provisions of the arrangement would remain in effect even after the privatization was completed. As of the date of the financial statement, the claim has not been filed and on the face of it, it appears that the Company has no liability whatsoever for the alleged damages of IEC.

Under these circumstances, it is not possible to assess at this stage the existing risk, if any, in respect of this demand, and accordingly, no provision was included in the Company's financial statements.

Notes to the financial statements

Note 25 **Commitments, contingent liabilities, guarantees and liens**

B. Contingent liabilities (cont.)

3) Liabilities in respect of other lawsuits (cont.) –

c. Class Action regarding an extra 40% per day of rest-

In September 2022, the "Success for the Promotion of a Fair Society" movement filed a motion for approval of a class action lawsuit in the Haifa District Court against the Company. This is a lawsuit previously filed by MSC that was rejected by the court on the grounds that MSC has no standing as a plaintiff.

The request centers around the claim that the Company overcharged its customers for a number of years when they were charged extra for handling services on rest days, even when those services were not provided on rest days. The amount of the class action, if approved, is NIS 50 million. The Company is currently in a bridging process in connection with this lawsuit According to the assessment of the Company's legal counsel. The parties have exchanged drafts of a settlement agreement; however, the Company's management is still reviewing the implications of the mediation results as received. As a result, a final agreement has not yet been agreed upon. An expense in the amount of the company's proposal was recorded in the company's books as of December 31, 2025.

d. Class action lawsuit for bodily injury to cancer patients-

In July 2019, the Company received a request for approval of a class action against the Company for bodily injury to cancer patients. The motion was filed against 30 entities operating in Haifa, including government companies, and including the Company. According to the assessment of the Company's legal counsel, it is not possible to assess the existing risk, if any, regarding this demand, and accordingly, a provision was not included in its financial statements.

e. A third party notice against the Company in connection with a class action lawsuit for bodily injury to cancer patients –

In October 2020, the Company received a warning prior to issuing a third-party notice against the Company in connection with the approval of another class action filed against a number of companies in Haifa Bay regarding damage caused by excess morbidity resulting from polluting activity of those companies. As of the reporting date, the suit was closed.

Notes to the financial statements

Note 25 Commitments, contingent liabilities, guarantees and liens

B. Contingent liabilities (cont.)

3) Liabilities in respect of other lawsuits (cont.) –

f. In May 2021, the Company filed a financial claim against Noble Energy Mediterranean Limited and its ship agents, in the amount of NIS 77 million. As part of the lawsuit, the defendants were asked to pay the full port fees for unlawfully unloaded cargo. In August 2021, the defendants filed a counterclaim, seeking monetary relief of NIS 4 million, plus interest and linkage. According to the assessment of the Company's legal counsel, it is not possible to assess the chances of the claim and the counterclaim and, therefore, no asset has been recognized and no provision has been made in respect of this claim. As of the reporting date, as part of a bridging agreement, the suit filed by the Company as well as a countersuit were closed.

4) Other liabilities –

a. National Zoning Plan 13, Change 3/A - Approved Plan

In August 2007, National Zoning Plan 13, Change 3 came into effect. According to the plan, the western part of the port was rezoned from a port area to a municipal sea front, which includes residential, commercial, hotel, entertainment and passenger port construction. In January 2015, the National Planning and Building Council held a discussion on National Zoning Plan 13/3/A and set stages for evacuating the western part of the port from port activity, except for a passenger port. The National Council instructed that the provisions of the plan include the following stages:

"First phase – in the area from warehouse 15 (inclusive) to an old administration building (inclusive), including the roof of the passenger terminal: port uses will cease immediately upon approval of the detailed plan for the municipal sea front (TAMA 13/3/A);
Second phase – in the areas from the administration building to the eastern plan boundary and in Area 607: gradual implementation of the detailed plan for a municipal sea front (TAMA 13/3/A) will be carried out, in coordination among the following entities: the Ministry of Transport, the Ministry of Finance, the Israel Ports Company, the Israel Land Authority and the Haifa Municipality, which will lead the coordination. It should be clarified that in any case, within 3 years from the date of approval of the plan, the port uses of this area will cease; in the remainder of the plan area it will be possible to continue port services for 5 years from the date of approval of the plan. The National Council may extend the period."

Notes to the financial statements

Note 25 **Commitments, contingent liabilities, guarantees and liens**

B. Contingent liabilities (cont.)

4) Other liabilities (cont.)

a. National Zoning Plan 13, Change 3/A - Approved Plan (cont.)

In August 2016, the National Council for Planning and Building recommended that the government approve the plan with the aforementioned phased provisions.

In August 2017, the Housing Cabinet, by virtue of the government's authority under article 53 of the Planning and Building Law, decided to approve National Zoning Plan 13/3/A – Municipal Sea Front Development in Haifa. The plan was publicized in the Official Gazette and went into effect in October 2017.

In October 2017, an agreement of principles was signed between the Company and the State of Israel through the Ministry of Finance and the Israel Land Authority (ILA), and the Israel Ports Company and the Haifa Municipality and the Haifa Local Committee, which regulates the principles for the development and operation of commercial-civilian activities on the municipal sea front in the western part of the port, so that it will integrate with the continuation of port activity in accordance with the provisions of TAMA 13/3/A. In accordance with the provisions of the Agreement of Principles, a joint administration of the Company and the Haifa Municipality will be established, which will be responsible for promoting the implementation of the plan. The Company moved two coastal cranes (jib) to the eastern pier. As part of the September 2020 land agreement between the Company and IPC, it was agreed, *inter alia*, that the regulation of the sea front area, as this term is defined in TAMA 13/3/A, will be done as part of a separate agreement, insofar as it is not regulated within the framework of the land agreement, which will be consistent with the provisions of the TAMA, the writ of authorization of the Company and the land agreement. During 2021, negotiations were conducted, led by the Government Companies Authority, between the Company and IPC, the Israel Land Authority and the Haifa Municipality regarding the signing of a detailed agreement that will regulate the development aspects of the municipal sea front project, including the residential lot (Area 607 according to the plan), in accordance with the Agreement of Principles (the "Square Agreement"). See also Note 12, above

Notes to the financial statements

Note 25 **Commitments, contingent liabilities, guarantees and liens**

B. Contingent liabilities (cont.)

4) Other liabilities (cont.)

a. National Zoning Plan 13, Change 3/A - Approved Plan (cont.)

In 2025, the National Planning and Building Council approved the continued use of the area, marked as the third phase of the plan, for activities permitted therein, for an additional three years. The Company is examining the possibility of relocating the cranes to another operational dock.

In addition, the agreement between the Company and the Municipality to establish the joint administration for managing the sea front has been approved.

b. Purchase tax liability -

Article 9(b) of the Shipping and Ports Authority Law, 5764-2004 (hereinafter: the "Law") stipulates, *inter alia*, that IPC will make the transferred land, as defined in the Law, available for the use of the port companies. According to a legal opinion received by the Company, no "sale" took place, and in any case, the Company did not acquire, within the framework of the legislation relating to the reform of Israel's ports of 2005, including the interim agreement, a right in real estate in accordance with the Real Estate Tax Law, which requires reporting to the tax authorities and payment of purchase tax for it.

גאווה ישראלית, עוצמה עולמית

Notes to the financial statements

Note 25 Commitments, contingent liabilities, guarantees and liens

B. Contingent liabilities (cont.)

4) Other liabilities (cont.)

c. Municipal real estate tax assessment of Kishon East-

During 2022, the Company received an increased municipal real estate tax assessment for operating areas in Kishon East. The amount of the charge is NIS 7.8 million per annum, compared with NIS 1.3 million per annum, which the Company was charged pursuant to an agreement signed with the Haifa Municipality. The Company filed an objection in respect of the increased charge, which was rejected by the city. The Company, through its legal counsel, filed an appeal against the municipality's decision.

During 2024, a compromise agreement was signed between the Company and the Haifa Municipality's property tax manager regarding the East Kishon property tax assessment. The parties agreed that the payment of property tax for the period from January 2022 to December 2024 would be NIS 9.5 million. As of the date of signing the compromise agreement, the Company had paid NIS 3.6 million for the operating areas in East Kishon. The remaining amount, NIS 5.9 million, was paid in December 2024.

In July 2025, the Company received increased property tax charges for its activity in the Haifa Port area, which included splitting the property tax assessment, changing the classifications of the various buildings in the port area, and changing rates for exempt properties, in contrast to previous rates that were the subject of a settlement agreement reached with the municipality in the past. As a result, the annual general property tax demand in the Haifa Port area constitutes an additional NIS 50 million per year.

During the month of September 2025, the Company submitted an objection to the Haifa Municipality's Municipal Tax Administration. As of the date of the financial statements, a response has not yet been received from the Haifa Municipality. Accordingly, the Company's assessment was recorded in the Company's books as of December 31, 2025.

Notes to the financial statements

Note 25 **Commitments, contingent liabilities, guarantees and liens**

B. Contingent liabilities (cont.)

4) Other liabilities (cont.)

d. Usage Fee Audit

During the month of June 2025, the Ministry of Transport and Road Safety (hereinafter: the "Ministry of Transport") issued to the Company a demand for an additional payment of NIS 3.2 million for fixed usage fees for the years 2020-2023. This demand was issued following an audit carried out by the Ministry of Transport in relation to the aforementioned period. The Company does not agree with the payment demand in full, and presented its position and objections to the Ministry of Transport, which rejected the Company's claims. During September 2025, a demand for payment was received from the Israel Ports Company in the amount of NIS 3.2 million. The Company notified IPC that it was paying the amount under protest.

At the same time, the company informed IPC that as from November 2, 2025, it will cease providing its services to IPC and the Maritime Transport Company, unless it is reimbursed for the usage fees required of it for the period in question, and unless it reaches an agreement regarding the terms of payment that are the subject of the contract with IPC and the Maritime Transport Company regarding the future. Without derogating from this, the Company agrees to extend the engagement for a period of two months (until January 2026), provided that all of the rates set out in the agreement with the Maritime Transport Company will bear an additional 8%.

In its response, IPC agreed to pay the excess past charge incurred by the Company as a result of the audit, and at the same time requested a 6-month postponement in order to check its preparations. During the aforementioned period, IPC is willing to pay compensation in the amount of 4%. As of the date of the signing the reports, the gap is under negotiations between the companies.

The Company has recognized in its accounting records the demand for payment, which is not in dispute.

Notes to the financial statements

Note 25 **Commitments, contingent liabilities, guarantees and liens**

C. Guarantees

- 1) The Company periodically and in the ordinary course of business provides guarantees for various needs in immaterial amounts.
- 2) Upon completion of the privatization, the Company provided two guarantees totaling NIS 30 million:
 - I) NIS 20 million for the Israel Ports Company in respect of the land agreement.
 - II) NIS 10 million for the Ministry of Transport and Road Safety for the writ of authorization.

D. Liens

In January 2020, a special collective agreement was signed (regarding the Haifa Port reform). In Chapter E of this agreement, the Company agreed that the Company's rights in a number of designated bank accounts for financing the retirement terms of the Company's employees shall be pledged in favor of the employees' representatives to ensure the Company's liabilities, in a lien that shall in any case be limited to the total actuarial liability of the Company towards transferring employees as the term is defined in the Agreements.

Notes to the financial statements

Note 26 Related Parties

Until the date of privatization of the Company on January 10, 2023, the State of Israel and companies and institutions under its control (including government companies, authorities and ministries, as well as other corporations in which the government has a certain ownership rate) constituted related parties in the Company. Payments to the State and its authorities as sovereign, i.e. payments according to law such as taxes and fees, are not, in the Company's opinion, defined as transactions with related parties.

a. Balances with related parties

	As of December 31, 2025	As of December 31, 2024
	Thousands of NIS	Thousands of NIS
Dividend payable – International Mediterranean Sea Ports A.D.G.D Ltd.	-	(55,000)
Customer – Gadot Chemical Terminals (1985) Ltd.	(1.6)	22
Customer – Adani Israel	-	51
Gadot Storage and Handling	-	(25)

b. Transactions with related parties

	Year ended December 31, 2025	Year ended December 31, 2024
	Thousands of NIS	Thousands of NIS
Expenses from other services	(409)	(202)
Participation in payroll expenses	74	146

Notes to the financial statements

Note 27 **Material events in the reporting period**

A. Dividend distribution

On November 4, 2025, the Company's Board of Directors resolved to distribute an interim dividend of NIS 36.5 million to the parent company. On November 5, 2025, the dividend was paid to the Company's shareholders.

On July 22, 2025, the Company's board of directors resolved to distribute a dividend of NIS 51.5 million to the parent company. On July 23, 2025, the dividend was paid to the Company's shareholders.

On May 20, 2025, the Company's board of directors decided to distribute a dividend of NIS 41 million to the parent company. On May 21, 2025, the dividend was paid to the Company's shareholders.

On February 18, 2025, the Company's board of directors resolved to distribute a dividend in the amount of NIS 58 million to the parent company. On February 19, 2025, the dividend was paid to the Company's shareholders.

On November 21, 2024, the Company's board of directors decided to distribute a dividend of NIS 55 million to the parent company. On January 5, 2025, the dividend was paid to the Company's shareholders.

During 2024, a dividend of NIS 152 million was paid to the company's shareholders.

B. During the month of April 2024, the Company was informed that as part of an outline formulated by the Ministries of Transportation and Finance (hereinafter: the Government Ministries) for regulating the ports industry in the State of Israel, they intend on granting concessions to ports that compete directly with the Company, in order to expand competition in Israel's ports. At the same time, there is an intention to expand the Company's license in such a way that competitive concessions will be granted together with the possibility of entering additional areas of activity. The Company is in contact with government ministries and the Histadrut in order to find a solution that will meet the Company's demands.

C. In accordance with Section 4(a) of the Order covering Supervision of Prices of Goods and Services (Port Services), 5770-2010 (hereinafter: the "Order"), the maximum prices in the Order will change on January 1 of each year, taking into account the rate of change in the up-to-date indices as of December 15 prior to the date of the change compared to the basic index (hereinafter: the weighted index).

In addition, it was determined, in accordance with section 4(d) and without derogating from what is stated in subsection (a), that if there is a change in the weighted index by a rate exceeding 3.5%, the weighted index will be updated as set out in subsection (a), and the maximum prices in accordance with the order will be updated accordingly.

Notes to the financial statements

Note 27 **Material events in the reporting period (cont.)**

C. (cont.)

Following an increase of 0.613% in the last three months of 2024, the Weighted Index was updated as of January 1, 2025 and set at 32.93% (compared to 32.12% on October 1, 2024). According to Section 56(b) of the Order, the maximum price for handling services was set at 21.43% (compared to 20.69% on October 1, 2024).

The Company has begun implementing the aforementioned price update from January 1, 2025 to all of its customers.

D. Termination of the term of the Company's chairman

On May 20, 2025, Dr. Ron Malka concluded his term as chairman of the Company's board of directors. The termination of the term was carried out in coordination with the Company's board of directors, after a period of two years.

E. Employment agreements

During the month of April 2025, the Company, the workers' representatives, and the General Workers' Union (Histadrut) reached an agreement in principle on a number of issues. These agreements were formulated as part of the Company's strategic plan to improve its operational excellence, strengthen managerial flexibility, and adapt to changing market conditions.

Inter alia, it was agreed as follows:

- Recruiting new employees in operational positions in a new employment model ("third generation"), which is characterized by a reduced cost structure and increased operational flexibility.
- Voluntary retirement agreement for founding employees (Generation A and Generation B founders) pursuant to the special collective agreement dated January 26, 2020, with a total scope of NIS 230 million as of the date of the financial report.
- Starting in 2027, a Voluntary Retirement Package (VRS) with a total scope of about NIS 90 million, planned for 50 veteran operational employees (second generation).
- Extension of occupational protection for second-generation workers until December 31, 2036.
- A monthly salary increase of NIS 500 for all of the Company's employees, retroactively from January 1, 2025.
- A commitment to open another round of negotiations at the beginning of next year, for the purpose of examining additional conditions for first-generation and second-generation founding employees.

The principles of the employment agreements were approved by the Company's board of directors, but voluntary retirement is contingent on the completion of additional agreements with the employees' representatives.

Notes to the financial statements

Note 27 **Material events in the reporting period (cont.)**

E. Employment agreements (cont.)

As of the date of the report, the agreements on behalf of the employees' representatives have not yet been signed, and therefore the full conditions for full accounting recognition of liabilities deriving from a voluntary retirement plan have not yet been met, and no provision has been made as part of the current financial statements.

F. Renting external areas

During March 2025, the Company was granted permission to carry out operations outside the port area. The approval was signed by the Ministers of Finance and Transport, by under the authority granted in Section 10(c) of the Shipping and Ports Authority Law.

As part thereof, the Company has been granted permission to use the storage and handling of various goods and cargo, as well as to maintain logistical centers for storage, emptying and containerization, in various areas with a total size of about 70 dunams. The company applied to the ministers to expand its land use by approximately 50 additional dunams.



Notes to the financial statements

Note 27 Material events in the reporting period (cont.)

H. Agreement with the IPC and the Companies Authority

During the third quarter of 2025, the Company's Board of Directors approved an amendment to the Infrastructure Appendices (Appendices 12) to the Real Estate Agreement signed between the Company and Israel Ports Company Ltd. ("Israel Ports Company") in September 2020 (the "Real Estate Agreement"). The approval of the Company's Board of Directors is subject to the approval of the Board of Directors of the Israel Ports Company and the Government Companies Authority.

In accordance with the appendix to the real estate agreement, the Company must notify IPC by 2030 whether it intends on investing in the deepening of the eastern pier or in the construction of the Carmel B pier.

The Company informed IPC that as of the date of approval of the financial statements, it intends on investing in the deepening of the eastern pier. Notwithstanding the Company's announcement, according to the agreement, the Company has the right to withdraw its choice to deepen the eastern pier, and to choose to build the Carmel B pier by the original date as stipulated in the real estate agreement.

Should the company choose the option of constructing Carmel B Pier, it shall be required, by January 1, 2030, to finalize all necessary agreements with IPC, including financial arrangements, and to deposit no less than 50% of the project cost in a designated account.

Upon receipt of the required approvals from IPC and the Government Companies Authority, as aforesaid, the Company's role in the trust account will be its share of the financing of the project (as of the date of approval of the financial statements in the amount of NIS 700 million). These funds are, as of the date of approval of the financial statements, in various deposits in the Company's bank accounts.

The remainder of the amount in accordance with the infrastructure appendix in the real estate agreement will be paid by IPC. (As of the date of approval of the financial statements in the amount of NIS 350 million).

The funds in the trust account will be invested in various channels in accordance with agreements with IPC. Once a year, and until the project is completed, an examination will be conducted of the total balance of the account against the closing balance at the end of the year, linked to the index. If the amount accumulated in the trust account is lower than the index-linked balance, the Company will make up the difference from its sources. If, on the other hand, the amount accumulated in the trust account exceeds the index-linked balance, the surplus (beyond the index) will be transferred to the Company's accounts.

Upon depositing the funds in the escrow account and receiving the necessary approvals, the restriction as stated in clause 7.6.2 of the purchase agreement of January 10, 2023 will be removed. In addition, by January 1, 2030, the corporate restrictions under the sale agreements with the State of Israel related to IPC's infrastructure investment obligations will be cancelled.

=====

=====