Bet Shemesh Engines Holdings (1997) Ltd.

("the Company")

To	To
Israel Securities Authority	**Tel Aviv Stock Exchange Ltd.**
via MAGNA	via MAGNA

Outline

According to Section 15B(1) of the Securities Law, 5728-1968 (hereinafter: the "**Securities Law**"), Securities Regulations (Details of an Outline of an Offer of Securities to Employees), 5760-2000, (hereinafter: the "**Outline Regulations**") and a non-material private placement report according to Regulation 21 of the Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000 (hereinafter: the "**Private Offering Regulations**"). It is clarified that all the offerees under the Outline are employees of the Company or of a subsidiary or a second-tier subsidiary of the Company, which are under control (as such term is defined in the Securities Law) of the Company, directly or indirectly.

For the offer of

Up to 88,430 warrants (unlisted), exercisable into up to 88,430 ordinary shares of the Company with no par value (subject to adjustments as specified in Section 5.6 below), according to the financial benefit value embodied in the warrants at the time of exercise (Cashless Exercise), in accordance with the Company's warrants plan, offered, for no consideration, to employees of the Company or affiliated companies, as specified in this Outline.

Outline Date: March 25, 2026

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Chapter A – Introduction and Permits

1. Introduction

1.1 The Company is registered in Israel and its securities are traded on the Tel Aviv Stock Exchange Ltd. (hereinafter: the "Stock Exchange").

1.2 The allocation of the securities according to this shelf offering report and a non-material private placement report (hereinafter together: the "Shelf Offering Report") is according to the company's 2017 warrant plan, as amended from time to time, for employees and officers in the company or of affiliated companies[1] to the company, in accordance with section 102 of the Income Tax Ordinance [New Version], 1961 (hereinafter: the "Ordinance" or "Warrant Plan", respectively). According to the Warrant Plan, the Company will be entitled to grant thereunder, to its employees or of an affiliated company, without consideration, (non-tradable) warrants (hereinafter: the "Warrants"), exercisable into ordinary shares with no par value of the Company (hereinafter: the "Shares" or the "Exercise Shares") according to the cash benefit amount inherent in the warrants at the time of exercise, as detailed in Section 5.9 below (Cashless Exercise), subject to adjustments and as detailed in Section 5.6 below and in accordance with the terms of the Warrant Plan and as detailed below.

1.3 The purpose and objectives of the Warrant Plan are to promote the best interests of the Company and its goals by involving selected employees of the Company or of affiliated companies in the Company's equity, by granting warrants for their benefit, thereby retaining high-quality personnel in the Company and affiliated companies, and providing employees with an incentive to act to maximize the Company's profits and involve them in its future success and achievements.

1.4 On March 24, 2026, the Company's Board of Directors approved the publication of a shelf offering report, in accordance with the shelf offering report regulations, for the purpose of allocation during the shelf offering report period (as defined in Section 5.4.1 below), of up to 88,430 warrants exercisable into up to 88,430 shares, without consideration, to existing employees[2] of the Company and of affiliated companies (hereinafter: the "Offerees"), according to the shelf offering report and the Warrant Plan. Within the framework of the said Board of Directors decision, a non-material and non-exceptional allocation under the Shelf Offering Report of 88,430 warrants to 850 employees was approved, according to the distribution as detailed in Section 4.2 below. Assuming the allocation and exercise of all 88,430 warrants allocable under this shelf offering report by the employees, the shares resulting from the exercise of the aforementioned warrants will constitute, as of the date of publication of this shelf offering report, approximately 0.92% of the Company's issued and paid-up capital[3], approximately 0.96% of the voting rights therein[4], approximately 0.89% of the Company's issued and paid-up capital[5] and approximately 0.92% of the voting rights on a fully diluted basis[6].

1.5 The allocation of the warrants to the Offerees according to the terms of this shelf offering report was approved by the Company's Board of Directors, including the allocations thereunder.

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1 Companies under control (as this term is defined in the Securities Law) of the Company, directly or indirectly.

2 Between whom and the Company or between whom and the affiliated company (as applicable) employer-employee relations exist.

3

As of the date of this report, the issued and paid-up share capital of the Company is divided into 9,536,050 ordinary shares. In a theoretical assumption of the exercise of the 88,430 warrants into the Company's shares offered under this shelf offering report, the Company's issued and paid-up share capital will stand at an amount of 9,624,480 ordinary shares.

4 See footnote 3 above and also not including 382,652 shares which do not grant voting rights as they are held by the wholly-owned subsidiary of the Company (Bet Shemesh Engines Ltd.).

5 The number of ordinary shares on a fully diluted basis after the allocation under this shelf offering report will stand at 9,951,608 ordinary shares, assuming the exercise of all existing securities convertible or exercisable into the Company's shares, as of the date of this report: (a) 82,500 (non-tradable) warrants of the Company's CEO (security number: 1178193) (b) 244,628 (non-tradable) warrants of employees, service providers, and officers (security numbers: 1171909, 1175470, 1195783, 1203561, and 1236595, of which the last security number is for service providers in an amount of 4,000 warrants) and convertible into 244,628 ordinary shares and (c) 88,430 (non-tradable) warrants offered under this shelf offering report convertible into 87,850 ordinary shares.

6 See footnote 5 above and also not including 382,652 shares which do not grant voting rights as they are held by the wholly-owned subsidiary of the Company (Bet Shemesh Engines Ltd.).

1.6 The allocation of the warrants to the offerees according to this prospectus will be carried out in accordance with Section 15B(1)(a) of the Securities Law, the Prospectus Regulations and within the framework of the warrants plan, and subject to the receipt of all approvals and permits required by law, as detailed in Section 2 below, and the publication of reports as required by law.

1.7 It is clarified that no allocation will be made according to this prospectus to an offeree who is an officer or a controlling shareholder in the company (as this term is defined in Section 268 of the Companies Law, 5759-1999 (hereinafter: the "Companies Law") or to one who is an "interested party" (as this term is defined in Section 207(5) of the Companies Law) or an interested party by virtue of their holdings in the company's shares prior to the allocation, or who will become an interested party or an interested party as aforesaid due to the allocation.

1.8 The company has reserved and/or will reserve from time to time in its registered capital ordinary shares in a sufficient quantity for the purpose of allocating all the exercise shares to the offerees under the warrants plan. In the event that a warrant granted under this prospectus expires or is canceled prior to its exercise or the offeree waives the exercise of such warrant, these warrants shall return to the warrants pool from which the company is entitled to grant warrants in accordance with the provisions of the warrants plan and this prospectus.

2. The Required Permits and Approvals

The allocation of the warrants offered under this prospectus is subject to obtaining the approvals detailed below:

2.1 As stated above, on March 24, 2026, the company's board of directors approved allocations to 850 existing employees of the company and related companies under this prospectus, which also includes a private offering that is not material and not exceptional.

2.2 The Stock Exchange's approval for the listing for trade of the shares that will result from the exercise of the warrants offered under this prospectus on the Stock Exchange. The company intends to act to obtain the said Stock Exchange approval shortly after the publication of this prospectus.

2.3 The company has received the approvals of the tax authorities for the warrants plan and the trustee (as defined below).

2.4 The company will act to obtain all the approvals required for the purpose of allocating the warrants under this prospectus to the offerees, to the extent that additional such approvals are required.

3. Authority of the Securities Authority

In accordance with Section 9 of the Prospectus Regulations, the Securities Authority (hereinafter: the "**Authority**") may instruct the company, within 14 business days from the date of submission of this prospectus, to provide an explanation, detail, information, and documents regarding the prospectus and also to instruct its amendment within a period it determines. If the Authority instructed the amendment of the prospectus, the Authority may instruct the postponement of the date for the start of the period for granting the warrants offered under this prospectus to a date that will fall no earlier than after 3 business days and no later than 14 business days from the date of publication of the required amendment to the prospectus. In such a case, the offerees will be given written notice detailing the period for granting the warrants and the fact that the company performed an amendment according to the Authority's instruction and the main points of the amendment, all unless the Authority instructed otherwise. If the Authority instructed the postponement of the date of the start of the period for granting the warrants, the company will notify of the instruction in an immediate report. If 14 business days have passed since the date of submission of the prospectus and no such notice was given by the Authority, the company shall be entitled to allocate the warrants to the offerees according to the prospectus, provided that the other conditions set forth in the Prospectus Regulations have been met and all approvals and permits required by law have been received.

Chapter B – Details of the Offer and the Offered Securities

4. The Offerees

4.1 According to this shelf offering report, the warrants shall be granted to the company's employees and the employees of related companies (but excluding officers, directors, or the company's CEO).

4.2 88,430 warrants are offered according to this shelf offering report together with a private offering report that is not material and not exceptional to 850 company employees, according to the following distribution:

4.2.1 28,650 warrants for VP subordinates and key and core group employees for 72 offerees (hereinafter: "**Group 1**").

4.2.2 59,780 warrants for group employees for 756 offerees (hereinafter: "**Group 2**"). Hereinafter collectively: "**The Offerees**".

4.3 The warrants that will be granted under the shelf offering report shall be granted, without consideration, only to offerees who are not considered a controlling shareholder (as defined in Section 268 of the Companies Law or Section 9(32) of the Ordinance) or to someone who is an "interested party" (as defined in Section 270(5) of the Companies Law) or to an interested party by virtue of their holdings in the company's shares prior to the allocation, and who will not become a controlling shareholder, an interested party, or an interested party as aforesaid due to the allocation of the warrants as aforesaid. It will be clarified that no allocation will be made under this shelf offering report to an offeree who, at the time of allocation, does not have employer-employee relations between them and the company and/or a related company.

5. Terms of the Offered Warrants

5.1 Details of the Offered Securities

5.1.1 Under the shelf offering report, up to 88,430 warrants, which are not listed for trading, will be allocated to the offerees without consideration, exercisable into up to 88,430 ordinary shares, according to the financial benefit amount inherent in the warrants at the time of exercise, as specified in Section 5.9 below, and subject to the adjustments specified in Section 5.6 below.

5.1.2 In the event of the expiration of a warrant or its cancellation for any reason before its exercise or full waiver, then such a warrant may be returned to the warrant pool from which the company is entitled to grant warrants and may be re-granted by virtue of the warrant plan and this shelf offering report (in accordance with the shelf offering report period as stated in Section 5.4.1 below) or another shelf offering report or report as required by law.

5.1.3 The grant to the offerees under this shelf offering report will be carried out within the framework of the warrant plan, under the capital gains track through a trustee in accordance with Section 102 of the Ordinance and the rules established thereunder, as they may be amended from time to time.

5.1.4

The warrants offered according to the warrant plan and this shelf offering report will not be listed for trading on the Stock Exchange. The company will act for the listing of all shares resulting from the exercise of the warrants for trading as detailed in Section 2 above. The company will consider the exercise shares as fully paid-up shares.

In accordance with the TASE Regulations, all shares resulting from the exercise of the warrants shall be registered in the name of the Nominee Company of the Tel Aviv Stock Exchange Ltd. (hereinafter: the "**Nominee Company**") (or another nominee company as determined from time to time).

5.2 Management of the Warrants Plan

Subject to the provisions of the Companies Law, the Company's incorporation documents and any other decision of the Company's Board of Directors, and in accordance with the warrants plan, the Company's Board of Directors has full authority to manage the warrants plan. The Board of Directors may appoint a committee which, subject to the relevant restrictions imposed by the Companies Law or any other relevant law, shall have all the powers granted to the Board of Directors in the warrants plan (and in the case of such restrictions, said committee shall be entitled to provide recommendations to the Board of Directors). Subject to the above, any use in this prospectus of the term "Board of Directors" shall refer to the Board of Directors or the committee appointed as aforesaid, as the case may be.

Within this framework, the Board of Directors is authorized to determine, among other things, the identity of the offerees in each grant, the specific tax track in which the warrants will be granted, the terms of each grant of warrants (which need not be identical), including and without derogating, the number of warrants to be granted for each offeree, the vesting conditions, the period and their exercise price, and the documents to be signed by the offerees, the date or dates on which the warrants will be granted and any other action or determination as the Board of Directors sees fit as necessary or useful for the purpose of managing the warrants plan or any sub-plan or warrant agreement.

5.3 Notice to Offerees and the Warrants Agreement

5.3.1 Shortly after the publication of the prospectus and within 21 days from the date of the Board of Directors' decision to perform the allocation, the Company shall act in accordance with Section 8(a) of the Prospectus Regulations, or act in any other way permitted by law. The grant of the warrants to the offerees in accordance with the warrants plan and this prospectus shall be made via a warrant agreement or a written grant letter between the Company and each offeree (hereinafter: the "**Warrant Agreement**") in which shall be specified, among other things, the number of warrants granted, the number of shares resulting from the exercise of the warrants, the vesting dates of the warrants, the exercise price per share and other terms, as determined by the Board of Directors and in accordance with the warrants plan.

5.3.2 Each offeree shall be required to sign, in addition to the warrants agreement, any other document required by the Company or an affiliated company, whether before or after the grant of the warrants (including and without derogating, any document and customary undertaking towards the Trustee (as the term is defined below) and/or the tax authorities, as required).

5.4 Allocation of Warrants and Their Terms

5.4.1 The period for the allocation of the warrants under this prospectus shall begin after the lapse of 14 business days from the date of filing this prospectus (and subject to receiving the required approvals) and shall end at the end of 36 months from the date of publication of the prospectus (hereinafter: the "**Prospectus Period**").

5.4.2 The Company is entitled to allocate warrants to existing or future offerees at different times and in different quantities, in accordance with the provisions of the warrants plan, all subject to receiving the approvals required by law, including the approval of the appropriate organs in the Company and the publication of reports as required.

5.4.3 The warrants offered under this prospectus will be granted in a trustee track in accordance with Section 102 of the Ordinance at the Company's discretion and subject to the restrictions or relevant limitations according to the applicable law:

5.4.3.1 In accordance with the provisions of Section 102 of the Ordinance, the offered warrants will be allocated in the name of IBI Capital Trust (2004) Ltd., which was appointed as trustee by the Company as a trustee according to Section 102 of the Ordinance and will be approved by the tax authorities (hereinafter: the "**Trustee**").

For the offerees as shall be determined by the Board of Directors from time to time. Each offeree shall confirm within the framework of the grant letter that he undertakes to fulfill all the conditions detailed in Section 102 of the Ordinance, as applicable, as well as the terms of the plan, the grant letter, etc. Furthermore, the offeree shall confirm, subject to the provisions and terms of Section 102 and the rules, that he undertakes not to sell or remove the exercise shares from the trust before the end of the lock-up period.

5.4.3.2 In accordance with the provisions of Section 102 of the Ordinance, the warrants to be allocated and the ordinary shares resulting from their exercise, and all rights granted by virtue thereof (including bonus shares) shall be allocated to the trustee, and shall all be registered in the name of the trustee, who shall hold them in trust until the date of their release by their transfer or sale by the trustee. In the event that the requirements of Section 102 of the Ordinance regarding warrants in the trustee track are not met, then the warrants in the trustee track shall be considered as warrants in the non-trustee track, all in accordance with the provisions of Section 102 of the Ordinance.

5.4.3.3 Warrants in the trustee track and the exercise shares allocated by virtue thereof, as well as all rights granted by virtue thereof (including bonus shares) shall be deposited with the trustee until the end of the period as required by the provisions of Section 102 applicable to warrants granted through a trustee in the tax track relevant to them (hereinafter: "**the Lock-up Period**").

5.4.3.4 Subject to the terms of Section 102, an offeree shall not be entitled to receive the warrants in the trustee track, the exercise shares allocated due to their exercise, or any right granted by virtue thereof (including bonus shares), or to request their transfer or sale to any third party, before the end of the lock-up period. Each offeree shall provide the company and the trustee with a written undertaking and consent in which the offeree shall declare that he is aware of the provisions of Section 102 of the Ordinance and the selected tax track, and that he agrees to the provisions of the trust deed between the company and the trustee, and undertakes not to remove from the trust, by way of sale or transfer, the warrants in the trustee track, the exercise shares allocated due to their exercise and all the rights granted by virtue thereof (including bonus shares) before the end of the lock-up period. Notwithstanding the above, if such sale or transfer occurs during the lock-up period, the sanctions under Section 102 of the Ordinance or any other relevant sanction shall apply to the offeree, in accordance with the required tax track.

5.4.3.5 For the avoidance of doubt, the lock-up period, if any, is in addition to the vesting period as stated in section 5.7 below. The lock-up period and the vesting period may overlap with each other, but they are not a substitute for each other, and each of them constitutes an independent condition for the granted warrants.

5.4.3.6 Without derogating from and subject to the above, and to any other relevant restriction in the warrants plan, in any relevant sub-plan, in the relevant warrants agreement and in the applicable law, the trustee shall not release, by way of sale or transfer, the exercise shares allocated due to the exercise of warrants in the trustee track, and all the rights granted by virtue thereof (including bonus shares) to the offeree, or to any third party to whom the offeree requests to sell the exercise shares, unless and until the trustee: (a) (1) deducted the amount of all taxes to be paid due to their sale or transfer, if any, or (2) received confirmation that such payment, if any, was transferred to the tax authorities or regarding another arrangement concerning such payment, to the satisfaction of the company and the trustee; and also (b) received written confirmation from the company regarding the fulfillment of all requirements for such release and transfer as set forth in the company's articles of association, in the warrants plan, In any sub-plan and in the relevant warrants agreement. For the avoidance of doubt, it is hereby clarified that the trustee is entitled to release only exercise shares (and not warrants).

5.5 Purchase Price and Exercise Price of the Warrants

5.5.1 As stated above, the warrants will be allocated to the offerees without receiving any payment from the offerees.

5.5.2 In accordance with the provisions of the Warrants Plan, the exercise price of each warrant will be determined by the Board of Directors. Each warrant agreement will include the exercise price determined as stated for each offeree.

5.5.3 Unless otherwise determined by the competent corporate organs, in accordance with the Company's Warrants Plan, the basic exercise price of each warrant for each ordinary share shall be the higher of: (a) the opening price of the Company's share on the day of the Board of Directors' decision to grant the warrants; (b) the average price of the Company's shares on the Tel Aviv Stock Exchange Ltd., during the 30 trading days preceding the date of the decision to grant the warrants under this plan (hereinafter: the "**Basic Exercise Price**"). As stated below, the Basic Exercise Price will not actually be paid to the Company but will serve solely to determine the benefit component resulting to the employee from the warrants and the number of exercise shares derived therefrom. After exercising the warrants as stated, the offeree will receive the monetary benefit component but will not hold shares resulting from the exercise of the warrants.

5.5.4 Accordingly, the exercise price of each warrant that will be granted to 850 employees, as stated in Section 5.5.3 above, is NIS 808.2 which was calculated according to the higher of: (a) the opening price of the Company's share on the day of the Board of Directors' decision made on March 24, 2026 (hereinafter: the "**Board Decision Date**"); or (b) the average price of the Company's share on the Stock Exchange in the 30 trading days preceding the Board Decision Date.

5.5.5 The exercise price will be denominated in Shekels.

5.6 Adjustments

In accordance with the Warrants Plan, the allocated warrants will be subject to adjustments as detailed below:

5.6.1 Adjustments due to distribution of bonus shares

Should the Company distribute bonus shares to the holders of ordinary shares with no par value, during the period of the warrants' existence, the rights of the employee holding the warrants shall be maintained immediately after the record date for the distribution of bonus shares, so that the number of shares resulting from the exercise to which the employee will be entitled upon exercise of the warrants will increase or decrease by the number of shares the employee would have been entitled to as bonus shares, had they converted the warrants immediately before the record date. The number of exercise shares to which the warrant holder will be entitled will be adjusted only in the event of a distribution of bonus shares as stated in this section above, but not in the event of any other issuances (including issuances to interested parties).

The employee's right to securities of the Company in the event of a distribution of bonus shares as stated above shall apply only in respect of warrants whose exercise eligibility date has arrived at the time of the distribution of the bonus shares and in respect of warrants that will be actually exercised by the employee.

The employee's right to securities of the Company in the event of a distribution of bonus shares as stated above will be maintained until the exercise date and will be actually executed only on the exercise date, i.e. - only upon the exercise of the warrants, in whole or in part, by the employee, shall the employee be entitled to receive the securities to which would have been entitled as a result of the distribution of bonus shares, for the number of allocated shares, which were actually allocated to him.

If as a result of the distribution of bonus shares as mentioned above, fractional shares are created, the employee will not be entitled to receive part of a share and the number of shares will be rounded down.

5.6.2 Adjustments regarding rights offering during the plan period

In the event of a rights offering by the Company to the shareholders during the period of the right to exercise the warrants: the number of shares resulting from conversion of the (non-tradable) warrants will be adjusted to the benefit component of the rights, as expressed in the ratio between the closing price of the share on the stock exchange on the last trading day before the "ex" day and the base price of the share "ex rights".

5.6.3 Adjustments due to dividend distribution during the plan period

Should the Company distribute a dividend during the period of the right to convert the warrants, then: the exercise price set for a share will be reduced by the dividend amount in NIS distributed for one ordinary share of the Company.

5.6.4 If the Company performs a split, consolidation or redistribution of its ordinary shares into shares of a different par value, the necessary adjustments will apply to the exercise shares, however the employee will not be entitled to receive part of a share, and the number of shares will be rounded down.

The calculation of the adjustments detailed above will be performed by the Company at the time of the relevant event.

5.6.5 Additional provisions regarding the warrants plan

In the event that the Company is a party to an agreement or arrangement for share exchange (such as a merger or reorganization transaction) (hereinafter: the "**Exchange Transaction**") in which the Company's ordinary shareholders are offered to exchange these shares for securities of any other corporation, the Company will act so that the same other corporation will undertake to allocate to the employee, if the employee exercised warrants after the exchange transaction during the exercise period and under the exercise terms detailed in the warrants plan, the securities offered as mentioned to the Company's ordinary shareholders, as if the employee were the holder of the exercise shares on the record date for the purpose of the said exchange transaction.

In the case of such an exchange transaction, the Company may require the employee, for all warrants held by or for him and not yet exercised, to receive warrants exercisable for shares of the other corporation, instead of the Company's warrants held by him, in accordance with the exchange ratio set for all ordinary shareholders of the Company, provided that the total exercise price for all substitute warrants to be allocated will be equal to the total exercise price for all those warrants held by or for the employee and which have not yet been exercised.

Furthermore, in the event of a transfer of control in the Company (as such term is defined in the Companies Law), the Company's Board of Directors shall be entitled to decide on the acceleration, full or partial, of the exercise of the warrants described above in this plan.

Without derogating from the above and subject to the provisions of any law, if upon the occurrence of a transaction (as defined below), the acquiring company (or a parent company or a subsidiary of the acquiring company) does not agree to convert or exchange the warrants, the Company shall provide notice to the employee regarding the transaction or the receipt of such decision, and the employee will be required to exercise the warrants that have vested until the date of the completion of the transaction. On the date of completion of the transaction, all warrants that have vested and have not yet been exercised into shares until that day (as well as all warrants that have not yet vested) shall expire immediately.

"Transaction" means: (a) a merger, sale, or reorganization of the Company with another company or several legal entities, whether the Company is the surviving company or not; (b) a sale of all or most of the Company's shares.

5.7 <u>Warrants vesting period (vesting), exercise period, and the warrants period</u>

5.7.1 Unless the Board of Directors has determined otherwise with respect to a specific offeree and/or any specific grant, following the provisions of Section 4.2, the warrants shall vest in 4 tranches, and shall be exercisable starting from the dates below and in accordance with the principles detailed below:

5.7.1.1 1/4 of the total warrants to be allocated to each of the warrant holders – shall vest and be exercisable starting from the end of two years after the date of the Company's Board of Directors' approval for allocation - starting from March 24, 2026.

5.7.1.2 1/4 of the total warrants to be allocated to each of the warrant holders – shall vest and be exercisable starting from the end of three years after the date of the Company's Board of Directors' approval for allocation - starting from March 24, 2026.

5.7.1.3 1/4 of the total warrants to be allocated to each of the warrant holders – shall vest and be exercisable starting from the end of four years after the date of the Company's Board of Directors' approval for allocation - starting from March 24, 2026.

5.7.1.4 1/4 of the total warrants to be allocated to each of the warrant holders (the final tranche) – shall vest and be exercisable starting from the end of five years after the date of the Company's Board of Directors' approval for allocation - starting from March 24, 2026.

5.7.2 The vesting of the warrants shall be suspended in any case of unpaid leave (HLT), unless it is unpaid leave that was expressly approved in advance by the Company for the purpose of the continued vesting of the warrants.

5.7.3 The warrants and the exercise shares shall be subject to a lock-up period as determined from time to time. Absolute prohibition periods (as such term is defined below) or a lock-up period or vesting as mentioned

can overlap each other, but they do not constitute a substitute for each other, and each of them constitutes an independent condition.

5.7.4 The offerees may exercise warrants whose vesting date has arrived into shares only on days that do not fall within the absolute prohibition period. In this regard, the term "absolute prohibition period" is defined as the months of February, March, May, July, August, October, and November of each year. In the months of March, May, August, and November, the prohibition period continues from the beginning of the month until two trading days after the publication date of the financial report (quarterly or annual) for the preceding quarter. That is, the warrants can be exercised in the months of January, June, September, and December and in the months of March, May, August, and November starting from two trading days after the publication date of the financial report (quarterly or annual) for the preceding quarter.

5.7.5 Any other period during which the company's management has decided on a transaction prohibition / "Blackout Period", whether or not he has access to inside information of the company.

5.8 <u>Expiration of the warrants and right to repurchase the exercise shares</u>

5.8.1 Upon termination of the employee's employment by the company for any reason (including as a result of termination of engagement due to death or disability), the warrants of the employee that would have vested by that date had the vesting been on a quarterly basis shall vest.

5.8.2 Expiration date of the warrants: At the end of six (6) years from the allocation date, the warrants shall expire. A warrant that is not exercised by its expiration date shall be void and shall not grant the employee any right toward the company. Notwithstanding the above, if the expiration date of any portion of the warrants ends during a period set by the company as an absolute prohibition or blocking period due to the potential existence of inside information (hereinafter: "**exercise prohibition period**"), then subject to compliance and fulfillment of all other conditions of the plan, the expiration date shall be automatically extended, without the need for an additional decision by the company's board of directors, for an additional period of up to five trading days after the end of the exercise prohibition period.

5.8.3 Subject to the following, the right to exercise warrants by the employee shall be as long as the employee is employed by the company. If the employee ceases to be employed by the company for any reason, he shall be entitled to exercise the warrants whose exercise period has already arrived at that time only, and this within 90 days from the date of termination of employment by the company, while the right to exercise the remaining warrants whose exercise period has not yet arrived shall expire. The date of termination of the employee's employment for the purpose of the plan is the date of termination of employer-employee relations between the employee and the company. Notwithstanding the above, in the case of termination of employment relations between the employee and the company in cases that disqualify entitlement to severance pay, on the date of termination of the employee's employment, all warrants of that employee shall expire immediately.

5.9 <u>Manner of exercising the warrants</u>

5.9.1 An exercise date of a warrant shall be the day after the day on which written notice from the employee, in a version to be determined by the company, reaches the company regarding his desire to exercise (above and below: "**the Exercise Date**").

and "the **Exercise Notice**", respectively), provided that the exercise notice is delivered to the Company during the exercise period. The exercise notice shall be in the form and version accepted by the Company, located at the Company's offices or with the Trustee. The Trustee shall allow exercise of warrants only after receiving the Company's approval.

5.9.2 Exercise of the warrants whose vesting date has arrived shall be performed through a warrant exercise mechanism for shares based on a benefit component (Cashless Exercise). Furthermore, the offeree shall be entitled to receive only the financial benefit component and not the shares resulting from the exercise of the warrants. The par value of the warrants actually exercised shall be paid by the offeree to the Company at the time of exercise of the warrants for shares. Further to the above, for the purpose of determining the benefit component, a calculation of the difference between (subject to adjustments) will be performed:

(a) The closing price on the stock exchange of the Company's ordinary shares on the trading day preceding the date of the exercise notice, multiplied by the number of warrants exercised.

and :

(b) The exercise price for each warrant multiplied by the number of warrants exercised. This difference shall hereinafter be referred to as: "the **Benefit**".

5.9.3 For the purpose of calculating the benefit component, the benefit shall be divided by the closing price on the stock exchange of the Company's shares on the trading day preceding the date of the exercise notice. Any fraction shall be rounded up to the nearest whole share. The Company shall pay the offeree the financial benefit component (according to the closing price on the stock exchange of the Company's shares on the trading day preceding the date of the exercise notice), clear, and sell the exercise shares, through the Trustee. The Company and the Trustee shall perform the required deductions according to law from the financial benefit component and the employee shall pay the Company before the allocation the par value of the shares that will be allocated to him in accordance with the aforementioned calculation.

5.9.4 In view of the above, the number of warrants to be allocated, as a result of the exercise of warrants by the employee, does not represent the number of shares that will be actually allocated in the case of exercise, but rather a theoretical maximum number, while in practice the number of shares to be allocated will reflect the financial benefit component to the employee, after deducting the par value of the shares only.

5.9.5 <u>Conditions for Allocation and Exercise</u>

5.9.5.1 Warrants shall not be considered as issued, and no shares shall be allocated for them, except: (a) after deduction of tax at source as required by law, according to the discretion of the Company and/or the Trustee, as the case may be; or (b) until delivery of approval to the Company from the tax authorities: (1) regarding a waiver or deferral of the tax deduction requirement at source in respect of such exercise and allocation; or (2) confirming receipt of full payment of the tax applicable in connection with such exercise; or (3) confirming the making of another arrangement with the offeree in connection with the tax amounts that the Company or the related company must deduct according to law, if at all, in connection with such exercise, an arrangement that shall be to the satisfaction of the Company, and if such arrangement requires the approval of the Trustee, also to the satisfaction of the Trustee. If

The aforementioned approvals are not applicable under the tax regime to which a specific offeree is subject, the Company may require, as a condition for the exercise of the warrants of that offeree, that such offeree shall deposit with the Company a sum of money sufficient for the payment of any tax (federal, state, or governmental) and any other requirements of tax withholding. The decision of the Company's legal counsel regarding tax withholding in connection with the exercise of warrants shall constitute a final determination for the purpose of meeting the requirements detailed below.

5.9.5.2 In addition, notwithstanding any other provision in the warrants plan, the Company shall not be obligated to allocate or deliver shares under the plan unless the exercise of the warrant and the allocation and delivery of the underlying shares fulfill, and do not violate, any relevant law, to the Company's satisfaction at its absolute discretion, and unless it has received, if the Company deemed it desirable, the approval of the Company's legal counsel regarding such fulfillment. The Company is also entitled to require an offeree to fulfill any requirement that may be necessary or appropriate to prove compliance with relevant laws.

5.9.6 Allocation of Exercise Shares

On the first trading day after receipt of the full and signed exercise notice by the offeree and payment of the consideration by him (in accordance with the exercise mechanism above), the Company will report the said allocation and act to transfer the documents required for the registration of the exercise shares in the Company's registers and for their deposit in the trustee's account.

5.9.7 Exercise Expenses

Exercise expenses and any commission involved in the exercise, if any, will apply to the offeree.

5.9.8 Prohibition on Exercise and Conversion on the Record Date upon the Occurrence of a Corporate Event

5.9.8.1 According to the Stock Exchange guidelines, as they may apply from time to time, no exercise of the warrants will be performed on the record date for the distribution of bonus shares, for an offering by way of rights, for a dividend distribution, for a capital consolidation, for a capital split or for a capital reduction (each of the above shall be called: "**Corporate Event**").

In addition, no exercise of the warrants will be performed on the "Ex-Day" in a case where the "Ex-Day" of a Corporate Event occurs before the record date of a Corporate Event.

5.9.9 Minimum Exercise

5.9.9.1 It will not be possible to exercise warrants for fractions of shares, and for less than 25% of the total warrants that vested at the time of the exercise request, in relation to any offeree seeking to exercise warrants according to this prospectus.

5.9.9.2 It will be clarified that the exercise of a portion of the quantity of warrants granted to an offeree will not cause the expiration, termination or cancellation of the remaining warrants held for him by the trustee and which have not yet been exercised by him.

5.9.9.3 The Company shall be entitled at any time to introduce changes to the exercise procedure and the sale instructions, as required, at the Company's discretion, to facilitate, streamline, and improve the exercise, exercise and release, and exercise and sale procedures, and to adapt them to changes that may occur in Israeli law and/or any other relevant law, and in light of experience accumulated in the Company in the future in performing these procedures. The Company will provide the offerees with notice of these changes, to the extent the change is relevant to them, and in such a case, the change will apply to the relevant offerees ten (10) days after the date of receipt of the Company's notice on the subject. The changes will be made in coordination with the Trustee and subject to the provisions of the relevant sections of the Ordinance and the regulations and rules established thereunder, insofar as they apply to the relevant offerees.

5.10 <u>Changes to the Plan or the Terms of the Warrants</u>

Subject to applicable law, the Company's Board of Directors may at any time bring the warrants plan to an end, or amend it in any respect, but this shall not prejudice the exercise rights of warrants that have vested, except in circumstances that disqualify entitlement to severance pay.

Subject to obtaining the approvals required by law, the Board of Directors shall have the authority to grant, at its discretion, to the offerees the following: (a) in consideration for the cancellation of the warrants granted to them, new warrants with an exercise price lower than the exercise price of the original warrants that were canceled, and subject to other conditions as determined by the Board of Directors in accordance with the terms of the plan; (b) to change the original exercise price of the warrants granted to them and set it at a lower exercise price.

5.11 <u>Lack of Marketability or Transferability of the Warrants</u>

5.11.1 The warrants are not traded and will not be listed for trading on any exchange whatsoever. The Company will act to list the exercise shares for trading on the Stock Exchange, subject to the approval of the Stock Exchange.

5.11.2 Throughout the lifetime of the Employee, the Employee, and only the Employee, shall have the right to exercise warrants for shares.

5.11.3 In the event of the Employee's death, during his tenure at the Company, warrants for which the exercise date has not yet arrived shall be automatically canceled. Warrants for which the entitlement to exercise is canceled shall expire and shall not pass to the Employee's estate. The Employee's heirs shall be entitled to receive those warrants whose exercise date has arrived but the Employee did not exercise his right to exercise them before his death.

5.12 <u>Law</u>

5.12.1 The warrants plan, sub-plan, the warrants agreement, and everything arising from and related to them and their interpretation shall be governed by the laws of the State of Israel.

5.12.2

The competent courts in Tel Aviv-Jaffa shall have exclusive jurisdiction to discuss everything related to the warrants plan, sub-plan, and the warrants agreement.

5.13 Trust Arrangement and Taxation

5.13.1 All tax consequences in accordance with any law arising from the grant or allocation of warrants or exercise shares, from the exercise of warrants or holding or selling of exercise shares by or for the offeree, shall be paid by the offeree. The offeree shall indemnify the Company or the affiliated company or the Trustee, as applicable, and release them from any liability for any tax payment or any fine, interest, or linkage.

5.13.2 The plan shall be subject to, interpreted by, and comply with all requirements of Section 102 or Section 3(i) of the Ordinance, as applicable. All tax consequences in accordance with any law arising from the grant of warrants and/or exercise shares and/or exercise of warrants and/or holding or sale of exercise shares (or any other security that will be granted under the plan) by or for the offeree, shall be paid by the offeree. The offeree shall indemnify the Company and/or an affiliated company and/or the Trustee, as applicable, and release them from any liability for any tax payment, fine, interest, or linkage.

5.13.3 Whenever a payment is required from the offeree or the Company or the affiliated company through withholding tax in connection with the warrants granted to the offeree or the exercise shares, the Company or the affiliated company or the Trustee shall be entitled to demand from the offeree an amount sufficient to cover any withholding tax requirement, and as stated, in any event where shares or any other asset that is not money are transferred following the exercise of warrants, the Company or the affiliated company or the Trustee shall have the right to demand from the offeree to transfer an amount of money sufficient to fulfill any withholding tax requirement, and if this amount is not transferred on time, the Company or the affiliated company or the Trustee shall have the right to hold or offset (subject to law) the shares or any such asset until the said payment is transferred by the offeree.

5.13.4 Before the applicable tax as stated in Section 7 of the Income Tax Rules (Tax Relief in Stock Allocation to Employees), 5763-2003, is paid, the warrants or the exercise shares shall not be transferable, assignable, pledgeable, attachable, or otherwise voluntarily encumbered, and no power of attorney or transfer deed shall be given regarding them, whether their validity is immediate or at a future date, except for transfer by virtue of a will or by law; if warrants or exercise shares are transferred by virtue of a will or by law as stated, the provisions of Section 102 of the Ordinance and the provisions of the Income Tax Rules (Tax Relief in Stock Allocation to Employees), 5763-2003, if applicable, shall apply to the heirs or transferees of the offeree.

The taxation applicable to the warrants under Section 102 of the Ordinance

5.13.4.1 The Trustee shall hold the warrants and the shares resulting from their exercise for the trust holding period, which is 24 months from the date of their allocation to the offeree, or any other period determined in any amendment to Section 102 of the Ordinance, and shall act regarding them in accordance with the provisions of Section 102 of the Ordinance, the provisions of the warrants plan, and the trust provisions to be established between the Trustee and the Company.

5.13.4.2

The transfer of shares resulting from the exercise of warrants from the Trustee to the offeree or to any third party shall be possible after the end of the lock-up period, after payment or deduction of tax and shall be performed

In accordance with the terms to be agreed upon between the Company and the Trustee and subject to the provisions of Section 102 of the Ordinance.

5.13.4.3. The benefit to the offeree from the grant of the warrants is exempt from tax at the time of grant and will be subject to tax at the time of sale of the shares resulting from the exercise of the warrants or at the time of their transfer from the Trustee, whichever is earlier (hereinafter: "the Tax Event").

5.13.4.4. The tax rate that will apply to the benefit created for the employee at the time of grant (if created) will be taxed at the time of the Tax Event in accordance with the marginal tax rate applicable to the employee at that time. The calculation of the amount of benefit created for the employee on the date of grant of the warrants will be made in accordance with the average value of the Company's shares on the stock exchange at the end of the thirty (30) trading days preceding the grant, less the exercise price cost. The remaining consideration or value that will accrue to the employee at the time of the Tax Event will be taxed as a capital gain for the employee at the time of the Tax Event as per the rate under law at the time of the Tax Event.

5.13.4.5. Notwithstanding the foregoing, should the employee exercise the warrants before the end of the trust holding period, all consideration or value accruing to the employee at the time of exercise will be considered employment income and will be taxed according to the marginal tax rate applicable to the employee at the time of exercise.

5.13.4.6. Regarding the benefit created for the employee as stated in Section 5.13.4.4 above, the Company will be allowed a salary expense for tax purposes in the amount of the benefit to which the marginal tax rate applies. Regarding the remaining consideration or value accruing to the employee as stated in Section 5.13.4.4 above, the Company will not be allowed an expense for tax purposes.

Nothing in this prospectus should be construed as tax advice or a qualified or exhaustive description of the legal provisions relating to the warrants plan or that may apply in connection with the grant of warrants to offerees. Each offeree must examine the tax implications applicable to them according to their personal circumstances and taking into account their specific details, and receive legal and professional advice at their discretion and in accordance with their personal details.

Chapter C – Rights Attached to the Company's Shares

6. Rights Attached to the Company's Shares

The Exercise Shares subject to the warrants shall, as of the date of their allocation, be equal in their rights in every respect to the ordinary shares of the Company. The Company shall view the Exercise Shares as fully paid-up shares. The provisions of the Company's Articles of Association include, among other things, the following provisions regarding the rights attached to the Company's shares. The main rights attached to the Company's shares, as described below, are as described in the Company's Articles of Association as of the date of the description.

It is clarified that the detail provided below is concise and does not constitute a substitute for reviewing the full version of the updated Articles of Association, as published by the Company in an immediate report dated February 4, 2025 (reference: 2025-01-008705). Furthermore, it is clarified that all provisions of the Company's Articles of Association specified below are subject to the provisions of the Companies Law, 5759-1999 (hereinafter: the "Companies Law"), the Securities Law, and any law.

The following is a concise detail regarding the arrangements, as specified in Regulation 26(d) of the Securities Regulations (Prospectus Details and Draft Prospectus – Structure and Form), 5729-1969, which were established in the Company's Articles of Association according to the provisions of the Companies Law.

6.1. **Amendment of the Articles of Association (Section 20 of the Companies Law)** – The Company may amend the Articles of Association by a resolution passed at the general meeting by a majority of sixty-six percent (66%) of all votes of shareholders present at the general meeting who are entitled to vote and voted therein, without taking into account the votes of those abstaining. Notwithstanding, an amendment or cancellation of Regulation 12a shall require a special majority of seventy-five percent (75%) of the total shares voting on the resolution for such amendment and/or cancellation (see Regulation 6.3 and Regulation 12a of the Articles of Association).

6.2. **Assumption of Powers by the Meeting (Section 50 of the Companies Law)** – The general meeting is authorized to assume powers granted to another organ and also to transfer powers granted to the General Manager to the authority of the Board of Directors, all for a specific matter or for a specific period of time (see Regulation 13 of the Articles of Association).

6.3. **Appointment of Directors and Their Term of Office (Section 59 and Section 222 of the Companies Law)** –

6.3.1. **Appointment of Directors at a Special Meeting**

A special meeting of the Company may appoint directors to the Company in place of directors whose term of office has ended, and also in any case where the number of board members has decreased below the minimum set in the Articles of Association or by the general meeting. Such appointment shall be valid until the next annual meeting, unless otherwise determined in the appointment resolution (see Regulation 18.2 of the Articles of Association).

6.3.2. **Appointment of Directors by the Board of Directors**

The Board of Directors has the right, at any time, to appoint any person as a director subject to the maximum number of directors set in these Articles of Association, whether to fill a casual vacancy or as an addition to the Board, and also to terminate their term of office. Any director so appointed shall serve until the next annual meeting and may be re-elected, unless their term of office was terminated by the Board of Directors or by the general meeting (see Regulation 18.2 of the Articles of Association).

6.4. **Quorum at a General Meeting and Adjourned Meeting (Sections 78-79 of the Companies Law) –** A quorum is the presence of at least two shareholders who together hold at least 40% of the company's shares.

If half an hour has passed from the time set for the meeting and a quorum is not present, the meeting shall be adjourned to the business day following the day of the meeting, at the same time and place without further notice, or to another day, time, and place as the Board of Directors shall determine in a notice to the shareholders, and at the adjourned meeting, the matters for which the first meeting was called shall be discussed. If a quorum is not present at the adjourned meeting as stated, at least one shareholder, present in person or by proxy, shall constitute a quorum, unless it was convened upon the request of shareholders (see Regulation 15.1 of the Company's Articles of Association).

6.5. **Chairman of the General Meeting (Section 80 of the Companies Law) –** The Chairman of the Board of Directors shall preside over every General Meeting, and in his absence, whoever was appointed for that by the Board of Directors. In the absence of a Chairman, or if he did not appear at the meeting 15 minutes after the time set for the meeting, the shareholders present at the meeting shall elect one of the company's directors as Chairman, or if no director is present, they shall elect one of the shareholders present to preside over the meeting. The Chairman of the meeting shall not have an additional or casting vote (see Regulation 15.2 of the Company's Articles of Association).

6.6. **Decision Making (Section 107 of the Companies Law) –** If the votes are tied in a decision by the Board of Directors, the Chairman of the Board of Directors or whoever was elected to conduct the meeting shall not have an additional vote (see Regulation 19.2 of the Regulations).

6.7. **The Tenure of Directors (Section 222 of the Companies Law) –** The elected directors shall enter their office starting at the end of the General Meeting in which they were elected or at the time of their appointment by the Board of Directors, as the case may be, unless a later date is determined in the appointment decision (see Section 18.3 of the Regulations).

6.8. **<u>The Company's Articles of Association include, among other things, the following provisions regarding the rights attached to the company's shares:</u>**

Subject	Sections of the Regulations
Distribution of dividend and bonus shares	24
Rights upon liquidation	28
Redeemable securities	7.2
The right to appoint directors	18
Notices of shareholders' meetings, including participation and voting rights and quorum at a meeting	14-17
Restriction on the transfer of shares	9

Subject	Sections of the Regulations
Conditions for changing rights attached to shares	12.2

Chapter D – Security Prices of the Company

7. The Share Capital of the Company as of the Prospectus Date

7.1. The registered share capital of the Company as of this prospectus date is NIS 12,000,000, divided into 12,000,000 ordinary shares with no par value (hereinafter: "**Ordinary Shares**").

7.2. The issued and paid-up share capital of the Company as of the date of submission of this prospectus is 9,536,050 ordinary shares.

7.3. The issued and paid-up share capital of the Company on a fully diluted basis, as of the prospectus date and after the allocation of the warrants under this prospectus, is 9,951,608 ordinary shares under the theoretical assumption[7] of the exercise of the warrants offered for the Company's shares.

8. Details Regarding the Stock Exchange Prices of the Company's Shares

Below are details regarding the high and low adjusted closing prices of the Company's shares in the years 2023, 2024 and until shortly before the publication date of this prospectus (in NIS):

Period	High Closing Price		Low Closing Price	
	Date	Price (in NIS)	Date	Price (in NIS)
2023	25.12.2023	116	28.3.2023	65.38
2024	24.11.2024	370	22.2.2024	114.6
2025	9.10.2025	758	1.1.2025	299
(*)2026	5.3.2026	932.5	11.2.2026	704

(*) In 2026 until shortly before the publication date of this prospectus.

9. The Economic Value of the Warrants

The fair value of the warrants will be calculated according to the Black & Scholes (B&S) model. Accordingly, the fair value per warrant for each of the groups as detailed in Section 4.2 above, amounts to approximately NIS 281.89.

Below are the assumptions underlying the calculation:

Calculation Date	24.3.2006
Share Price	750
Exercise Price	808.2
Risk-free Interest Rate	3.57%-3.5%
Standard Deviation (Weekly)	approx. 40%-42%
Warrant Term (Years)	4.5-5
Expected Dividend Yield	0%
Value per Single Warrant (NIS)	263-305

[7] It should be noted that if the offeree exercises the warrants on a Cashless basis as detailed below – this is a theoretical calculation only.

10. Company Stock Prices on the Stock Exchange

The warrants are not tradable, but they are exercisable into ordinary shares of the Company traded on the stock exchange. The closing price of an ordinary share of the Company on the stock exchange on March 24, 2026 (the stock exchange trading day preceding the date of publication of this prospectus) stood at NIS 740.

11. No Commitment for Employment/Hiring of Services/Continued Service

The warrants plan, the warrant agreement, or this prospectus shall not be interpreted as a promise or any commitment on the part of the Company or an affiliated company to continue employing the offeree or to receive services from them, and they shall not imply any commitment on the part of the Company or any affiliated company regarding the duration of employment, hiring of services, or service of the offeree.

The Company or the affiliated company reserves the right to dismiss any offeree or to terminate the hiring of their services or service in accordance with the terms of employment, hiring of services, or service of such offeree, in accordance with the arrangements on the matter, to the extent they exist, and according to any law.

12. No Representation

There is not and will not be in the warrants plan, in any sub-plan or in the warrants agreement or in this prospectus anything that constitutes any representation on the part of the Company towards any offeree regarding the Company, its business, its value, or its shares in general or the exercise shares in particular. Every offeree, upon entering into a warrants agreement, shall declare and undertake to the Company that their consent to the grant of the warrants granted for their benefit, and their exercise (if exercised), was not and will not be given, in any respect, based on any representation or commitment of the Company or any of its directors, officers, shareholders or employees, and that it is given and will be done solely based on their examination of the Company and their expectations from it, in its "As-Is" condition. Every offeree shall waive any claim of "non-conformity" of any kind and type, as well as any other cause of action or lawsuit of any kind and type regarding the warrants and/or the underlying shares.

The adoption of the warrants plan and any sub-plan (if any) by the Board of Directors shall not be interpreted as amending, changing or canceling any incentive arrangements approved in the past, or as imposing any restrictions on the authority of the Board of Directors to adopt other incentive arrangements as it sees fit, including and without derogating, granting warrants for shares in the Company not according to the warrants plan, and such arrangements may be of general applicability or in specific cases only.

13. Agreements Regarding the Purchase or Sale or Regarding Voting Rights Therein

To the best of the Company's knowledge, as of the date of publication of this prospectus, there are no agreements, whether in writing or orally, between the offerees and a shareholder of the Company or between the offerees and others, regarding the purchase or sale of securities of the Company or regarding voting rights in the Company.

14. Reference to Financial Statements and Immediate Reports and Review of Documents

Attention is hereby directed to the Periodic report of the Company for December 31, 2025, published by the Company on March 24, 2026 (hereinafter: the "2025 Periodic Report"), and to the reports published by the Company since the publication of the 2025 Periodic Report.

15. Details about the company's representatives regarding the handling of the prospectus

Adv. Shahar Hananel, from the law firm of Naschitz, Brandes, Amir & partnership, external legal advisors of the company, at the address 5 Tuval Street, Tel Aviv (Tel: 03-623-5000).

Bet Shemesh Engines Holdings (1997) Ltd.

By: Dov Feldman, CFO

Prospectus Date: March 25, 2026