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Bet Shemesh Engines Holdings (1997) Ltd.

("the Company")

To	To
Israel Securities Authority	**The Tel Aviv Stock Exchange Ltd.**
Via Magna	Via Magna

Outline

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

For an offer of

Up to 88,430 warrants (not listed for trading), exercisable for up to 88,430 ordinary shares of the Company with no par value (subject to adjustments as detailed in section 5.6 below), according to the financial benefit value inherent 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 detailed 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 **TASE**").

1.2 The allocation of the securities according to this prospectus and the non-material private allocation report (hereinafter together: the "**Prospectus**") is according to the Company's warrants plan from 2017, as amended from time to time, for employees and officers in the Company or of affiliate companies[1] of the Company, in accordance with Section 102 of the Income Tax Ordinance [New Version], 5721-1961 (hereinafter: the "**Ordinance**" or "**Warrants Plan**", accordingly). According to the warrants plan, the Company shall be entitled to grant by virtue thereof, to its employees or those of an affiliate company, without consideration, warrants (non-tradable) (hereinafter: the "**Warrants**"), exercisable for ordinary shares without par value of the Company (hereinafter: the "**Shares**" or "**Exercise Shares**") according to the monetary benefit amount inherent in the warrants on the exercise date, 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 warrants plan and as detailed below.

1.3 The purpose of the warrants plan and the committee is to promote the best interests of the Company and its goals by involving selected employees of the Company or affiliate companies in the Company's equity, by granting warrants for their benefit, thereby retaining quality personnel in the Company and affiliate companies, and providing employees with an incentive to work towards maximizing the Company's profits and sharing in its future success and achievements.

1.4 On March 24, 2026, the Company's board of directors approved the publication of a prospectus, in accordance with the Prospectus Regulations, for the purpose of allocation during the prospectus period (as defined in Section 5.4.1 below), of up to 88,430 warrants exercisable for up to 88,430 shares, without consideration, to existing employees[2] of the Company and affiliate companies (hereinafter: the "**Offerees**"), according to the Prospectus and the Warrants Plan. As part of said board decision, a non-material and non-exceptional allocation by virtue of the Prospectus of 88,430 warrants to 850 employees was approved, in accordance with the distribution as detailed in Section 4.2 below. Under the assumption of allocation and exercise of the full 88,430 warrants available for allocation according to this Prospectus by the employees, the shares resulting from the exercise of said warrants will constitute, as of the publication date of this Prospectus, approximately 0.92% of the Company's issued and paid-up capital[3], approximately 0.96% of its voting rights[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 Prospectus was approved by the Company's board of directors, including the allocations by virtue thereof.

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[1] Companies under the 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 affiliate company (as the case may be) an employer-employee relationship exists.

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3 As of the date of this report, the Company's issued and paid-up share capital is divided into 9,536,050 ordinary shares. Under the theoretical assumption of the exercise of the 88,430 warrants for Company shares offered under this Prospectus, 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 excluding 382,652 shares which do not grant voting rights as they are held by the Company's wholly-owned subsidiary (Bet Shemesh Engines Ltd).

5 The number of ordinary shares on a fully diluted basis after the allocation under this Prospectus will stand at 9,951,608 ordinary shares, assuming the exercise of all existing securities convertible into or exercisable for Company shares, as of the date of this report: (a) 82,500 warrants (non-tradable) of the Company's CEO (security number: 1178193) (b) 244,628 warrants (non-tradable) 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) convertible into 244,628 ordinary shares and also (c) 88,430 warrants (non-tradable) offered under this Prospectus convertible into 88,430 ordinary shares.

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

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1.6 The allocation of warrants to offerees under this shelf prospectus will be carried out in accordance with Section 15B(1)(a) of the Securities Law, the Shelf Prospectus Regulations and within the framework of the warrants plan, and subject to obtaining 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 under this shelf 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: "**Companies Law**")) or to anyone 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 his holdings in the Company's shares prior to the allocation, or who will become an interested party or an interested party as aforesaid as a result of the allocation.

1.8 The Company has reserved and/or will reserve from time to time in its registered capital ordinary shares in sufficient quantity for the purpose of allocating all the exercise shares to the offerees under the warrants plan. If a warrant granted under this shelf prospectus expires or is canceled prior to its exercise or the offeree waives the exercise of such a 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 shelf prospectus.

2. Required Permits and Approvals

The allocation of the warrants offered under this shelf prospectus is subject to receiving 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 shelf prospectus, within which is also a private placement that is not material and not unusual.

2.2 TASE approval for the listing for trading of the shares resulting from the exercise of the warrants offered under this shelf prospectus on the TASE. The Company intends to act to obtain said TASE approval shortly after the publication of this shelf prospectus.

2.3 The Company received the tax authorities' approvals for the warrants plan and for 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 shelf prospectus to the offerees, to the extent that such additional approvals as aforesaid are required.

3. Authority of the Securities Authority

In accordance with Section 9 of the Shelf Prospectus Regulations, the Securities Authority (hereinafter: "**the Authority**") may instruct the Company, within 14 business days from the date of submission of this shelf prospectus, to provide an explanation, detail, information and documents regarding the shelf prospectus and also to instruct on its amendment within a period it will determine. If the Authority has instructed an amendment to the shelf prospectus, the Authority may instruct the postponement of the date for starting the period for granting the warrants offered under this shelf prospectus to a date that will occur no earlier than 3 business days and no later than 14 business days from the date of publication of the required amendment to the shelf prospectus. In such a case, the offerees will be given a written notice detailing the

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period for granting the warrants and the fact that the Company performed an amendment per the Authority's instruction and the main points of the amendment, all unless the Authority has instructed otherwise. If the Authority has instructed the postponement of the start date of the period for granting the warrants, the Company will announce the instruction in an immediate report. If 14 business days have passed from the date of submission of the shelf prospectus and no such notice was given by the Authority, the Company shall be entitled to allocate the warrants to the offerees under the shelf prospectus, provided that the other conditions set forth in the Shelf Prospectus Regulations have been met and all the approvals and permits required for it by law have been received.

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Chapter B – Details of the Offering and the Offered Securities

4. The Offerees

4.1 According to this description, the warrants will be granted to the Company's employees and employees of related companies (but excluding officers, directors, or the Company's CEO).

4.2 88,430 warrants offered according to this description together with a report on a private offering that is not material and not irregular to 850 of the Company's employees, according to the following breakdown:

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

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

4.3 The warrants to be granted under the description will 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 anyone who is an "interested party" (as defined in Section 270(5) of the Companies Law) or 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 stated due to the allocation of the warrants as stated. It will be clarified that no allocation will be made under this description to an offeree who, at the time of allocation, does not have an employer-employee relationship between him and the Company and/or a related company.

5. Terms of the Offered Warrants

5.1 Details of the Offered Securities

5.1.1 Within the framework of the description, up to 88,430 warrants, not listed for trading, will be offered 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 detailed in Section 5.9 below, and subject to the adjustments detailed in Section 5.6 below.

5.1.2 In the event of a warrant expiration or its cancellation for any reason before it was exercised or fully waived, then it will be possible to return such warrant to the warrant pool from which the Company is permitted to grant warrants and it may be re-granted by virtue of the warrant plan and this description (according to the description period as stated in Section 5.4.1 below) or another description or report as required by law.

5.1.3 The grant to the offerees under this description 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 amended from time to time.

5.1.4 The warrants offered according to the warrant plan and this description will not be listed for trading on the Stock Exchange. The Company will act to list all the shares

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resulting from the exercise of the warrants for trading as detailed in Section 2 above. The Company will regard 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 Registration Company of the Tel Aviv Stock Exchange Ltd. (hereinafter: "**The Registration Company**") (or another registration company as shall be determined from time to time).

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5.2 Management of the Warrants Plan

Subject to the provisions of the Companies Law, the Company's Articles of Association 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, the same 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.

In 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 derogation, the number of warrants to be granted for each offeree, the vesting terms, the period and exercise price thereof, and the documents on which the offerees will sign, the date or dates on which the warrants will be granted and any other action or determination as the Board of Directors shall see fit or useful for the purpose of managing the Warrants Plan or any sub-plan or warrants 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 carry out the allocation, the Company shall act in accordance with Section 8(a) of the Prospectus Regulations, or shall act in any other way permitted by law. The grant of warrants to offerees in accordance with the Warrants Plan and this Prospectus shall be made via a warrants agreement or a written grant letter between the Company and each offeree (hereinafter: the **"Warrants 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 shall be 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 that shall be required by the Company or an affiliate, whether before or after the grant of the warrants (including and without derogation, any customary document and undertaking towards the Trustee (as the term is defined below) and/or the tax authorities, to the extent required).

5.4 Allocation of Warrants and their Terms

5.4.1 The period for the allocation of 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 may allocate warrants to existing or future offerees at different times and in different quantities, in accordance with the provisions of the Warrants Plan, and all subject to receiving the required approvals by law, including the approval of the relevant corporate bodies in the Company and the publication of reports as required.

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5.4.3 The warrants offered under this Prospectus will be granted in the Trustee track in accordance with Section 102 of the Ordinance at the Company's discretion and subject to the relevant restrictions or 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 I.B.I. Equity Compensation and Trusts (2004) Ltd., which was appointed as trustee by the Company as a trustee under Section 102 of the Ordinance and will be approved by the tax authorities (hereinafter: the **"Trustee"**).

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For the offerees as shall be determined by the Board of Directors from time to time. Each offeree shall confirm within the grant letter that he/she 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/she 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 that will result from their exercise, and all the 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 what is stated in 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 the rights granted by virtue thereof (including bonus shares) shall be deposited with the trustee until the end of the period required by the provisions of Section 102 applicable to warrants granted through a trustee in the tax track relevant to them (hereinafter: **"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 submit to the company and the trustee a written undertaking and consent in which the offeree shall declare that he/she is aware of the provisions of Section 102 of the Ordinance and the chosen tax track, and that he/she 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, as well as all the rights granted by virtue thereof (including bonus shares) before the end of the lock-up period. Notwithstanding the foregoing, if such a 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, but they are not substitutes for one another, and each of them constitutes an independent condition for the warrants granted.

5.4.3.6 Without derogating and subject to the foregoing, and to any other relevant restriction in the warrants plan, in any relevant sub-plan, in the 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 wishes 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)

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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,

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in any sub-plan and in the relevant warrants agreement. For the avoidance of doubt, it is hereby clarified that the Trustee may release only exercise shares (and not warrants).

5.5 Purchase Price and the Exercise Price of the warrants

5.5.1 As stated above, the warrants shall 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 shall be determined by the Board of Directors. Each warrant agreement shall include the exercise price determined as stated for each offeree.

5.5.3 Unless otherwise determined by the authorized corporate bodies of the Company, in accordance with the warrants plan of the Company, 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 date of the Board of Directors' decision on the grant of 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 on the grant of the warrants within the framework of this plan (hereinafter: the "Basic Exercise Price"). As stated below, the Basic Exercise Price shall not actually be paid to the Company but shall serve solely to determine the benefit component resulting to the employee from the warrants and the number of exercise shares derived therefrom. After the exercise of the warrants as stated, the offeree will receive the financial benefit component but will not hold the shares resulting from the exercise of the warrants.

5.5.4 Accordingly, the exercise price of each warrant to 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 date of the Board of Directors' decision adopted 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 shall be denominated in Shekels.

5.6 Adjustments

In accordance with the warrants plan, the offered warrants shall be subject to adjustments as detailed below:

5.6.1 Adjustments for bonus share distribution

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

The employee's right to securities of the Company in the case of a bonus share distribution as stipulated above, shall apply only in relation to warrants for which the

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exercise eligibility date has arrived at the time of the bonus share distribution and in relation to warrants actually exercised by the employee.

The employee's right to securities of the Company in the case of a bonus share distribution as stated above, shall be maintained until the exercise day and shall be actually performed only on the exercise day, i.e. - only with the exercise of the warrants, in whole or in part, by the employee, shall the employee be entitled to receive the securities to which

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He would be 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 a fraction of a share and the number of shares will be rounded down.

5.6.2. <u>Adjustments regarding the issuance of rights during the program period</u>

In the event of an issuance of rights by the Company to the shareholders during the exercise right period of the warrants: the number of shares resulting from the conversion of the (non-marketable) warrants will be adjusted to the benefit component in 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-date" and the base price of the share "ex-rights".

5.6.3. <u>Adjustments due to dividend distribution during the program period</u>

If the Company distributes a dividend during the conversion right period of the warrants, then: the exercise price set for the 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 with a different par value, the required adjustments will apply to the exercise shares, however the employee will not be entitled to receive a fraction of a share, and the number of shares will be rounded down.

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

5.6.5. <u>Additional provisions regarding the warrants program</u>

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

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

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Furthermore, in the event of a transfer of control in the company (as this term is defined in the Companies Law), the company's Board of Directors shall be entitled to decide on the full or partial acceleration 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 replace the warrants, the company shall provide notice to the employee regarding the Transaction or the receipt of said decision, and the employee will be required to exercise the warrants that have vested up until the date of completion of the Transaction. At the date of completion of the Transaction, all warrants that have vested and have not yet been exercised into shares by 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 or not the company is the surviving company; (b) a sale of all or most of the company's shares.

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

5.7.1. Unless the Board of Directors determines otherwise with respect to a specific offeree and/or any specific grant, further to the provisions of section 4.2, the warrants shall vest in 4 installments, 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 approval by the company's Board of Directors for the 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 approval by the company's Board of Directors for the 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 approval by the company's Board of Directors for the 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 installment) – shall vest and be exercisable starting from the end of five years after the date of approval by the company's Board of Directors for the allocation - starting from March 24, 2026.

5.7.2. The vesting of the warrants shall be suspended in any case of unpaid leave (Halat), except if it is an unpaid leave that was explicitly 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 shall be determined from time to time. An absolute prohibition period (as this term is defined below) or a lock-up period or vesting as stated

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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 are entitled to 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 lasts from the beginning of the month until two trading days after the date of publication of the financial report (quarterly or annual) for the preceding quarter. Meaning, the warrants may 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 date of publication of the financial report (quarterly or annual) for the preceding quarter.

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

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

5.8.1. Upon the termination of the employee's employment by the company for any reason (including as a result of termination due to death or disability), the employee's warrants that would have vested up to that date if the vesting had 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 null and void and shall not grant the employee any right against the company. Notwithstanding the above, if the expiration date of any portion of the warrants ends during a period determined by the company as an absolute prohibition period or blocking due to the potential existence of inside information (hereinafter: **"the exercise prohibition period"**), then subject to compliance and fulfillment of all other terms of the plan, the expiration date shall be automatically extended, without the need for a further decision by the company's board of directors, for an additional period until five trading days after the end of the exercise prohibition period.

5.8.3. Subject to the following, the right to exercise the warrants by the employee shall be as long as the employee is employed by the company. Should the employee cease 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, within 90 days from the date of termination of employment by the company, while the right to exercise the remainder of the warrants whose exercise period has not yet arrived shall expire. The date of termination of the employee's employment for the purposes of the plan is the date of termination of the employer-employee relationship between the employee and the company. Notwithstanding the above, in the event of termination of employment relations between the employee and the company in cases that negate entitlement to severance pay, at the date of termination of the employee's employment, all of that employee's warrants shall expire immediately.

5.9. <u>Manner of exercise of the warrants</u>

5.9.1. The exercise date of a warrant shall be the day following the day on which the company receives a written notice from the employee, in the version to be determined by the company, of his desire to exercise (above and below: **"the exercise date"**)

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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 customary in the Company, available at the Company's offices or with the Trustee. The Trustee will allow the exercise of warrants only after receiving the Company's approval.

5.9.2. The exercise of warrants whose vesting date has arrived will be carried out through a warrant-to-share exercise mechanism 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 the exercise of the warrants into shares. Following the above, for the purpose of determining the benefit component, a calculation shall be made of the difference between (subject to adjustments):

(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 (based on the closing price on the stock exchange of the Company's shares on the trading day preceding the date of the Exercise Notice), allocate, and sell the exercise shares, through the Trustee. The Company and the Trustee will perform the required deductions according to any law from the financial benefit component, and the employee shall pay the Company prior to the allocation the par value of the shares to be allocated to him in accordance with said calculation.

5.9.4. In light 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 actually be allocated in the event of exercise, but rather a theoretical maximum number, where in practice the number of shares allocated will reflect the financial benefit component to the employee, less only the par value of the shares.

5.9.5. **Conditions for Allocation and Exercise**

5.9.5.1. Warrants will not be considered issued, and shares will not be allocated for them, except: (a) after withholding tax at source as required by law, according to the discretion of the Company and/or the Trustee, as applicable; or (b) until the delivery of approval to the Company from the tax authorities: (1) regarding a waiver or deferral of the withholding tax requirement in relation to such exercise and allocation; or (2) confirming the receipt of full tax payment applicable in connection with such exercise; or (3) confirming the arrangement of another settlement with the offeree regarding the tax amounts that the Company or the related company must deduct by law, if any, in connection with such exercise, a settlement that shall be to the Company's satisfaction, and if such settlement requires the Trustee's approval, one that also satisfies the Trustee. If

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

5.9.5.2. Furthermore, notwithstanding any other provision in the warrant plan, the Company shall not be obligated to allot or deliver shares under the plan unless the exercise of the warrant and the allotment and delivery of the underlying shares comply with, 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 advisor regarding such compliance. The Company may also require an offeree to comply with any requirement that may be necessary or appropriate to demonstrate compliance with the relevant laws.

5.9.6. <u>Allotment of Exercise Shares</u>

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 shall report on the said allotment and act to transfer the documents required for the registration of the exercise shares with the registrar and their deposit in the trustee's account.

5.9.7. <u>Exercise Expenses</u>

The exercise expenses and any commission involved in the exercise, if any, shall be borne by the offeree.

5.9.8. <u>Prohibition on Exercise and Conversion on the Record Date upon the Occurrence of a Corporate Event</u>

5.9.8.1. According to the TASE guidelines, as they may apply from time to time, no exercise of the warrants will be performed on the record date for a bonus share distribution, a rights offering, a dividend distribution, a reverse stock split, a stock split, or a capital reduction (each of the above shall be called: "Corporate Event").

Additionally, no exercise of the warrants will be performed on the "Ex-Date" in a case where the "Ex-Date" of a Corporate Event falls before the record date of a Corporate Event.

5.9.9. <u>Minimum Exercise</u>

5.9.9.1. It will not be possible to exercise warrants for fractional shares, and for less than 25% of the total warrants that have vested as of the date of the exercise request, with respect to any offeree seeking to exercise warrants according to this prospectus.

5.9.9.2. It will be clarified that the exercise of part of the quantity of warrants granted to an offeree shall 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.

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5.9.9.3. The Company shall be entitled at any time to make changes to the exercise procedure and the sale instructions, as required, at the Company's discretion, in order to facilitate, streamline and improve the exercise, exercise and release, and exercise and sale procedures, and to adapt them to changes that will occur in Israeli law and/or any other relevant law, and in light of experience that will accumulate in the Company in the future in performing these procedures. The Company will provide notice to the offerees 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 matter. 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, 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 its termination, or amend it in any sense, but this shall not prejudice the exercise rights of warrants that have vested, except in circumstances that deny entitlement to severance pay.

Subject to obtaining the required approvals 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 which were cancelled, and subject to other terms 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>Absence of negotiability or transferability of the warrants</u>

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

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 term of office at the Company, the warrants whose exercise date has not yet arrived shall be automatically cancelled. The warrants for which entitlement to exercise is cancelled 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, 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-Yafo shall have exclusive jurisdiction to discuss everything related to the warrants plan, sub-plan, and warrants agreement.

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5.13. The Trust Arrangement and Taxation

5.13.1. All tax implications in accordance with any law arising from the grant or allocation of warrants or exercise shares, from the exercise of warrants or holding or sale 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 exempt them from any liability for any tax payment or any penalty, interest, or linkage.

5.13.2. The plan shall be subject to, interpreted, and comply with all requirements of Section 102 or Section 3(i) of the Ordinance, as applicable. All tax implications in accordance with any law arising from the grant of warrants and/or exercise shares and/or exercise of the warrants and/or holding or sale of the 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 affiliated company and/or the Trustee, as applicable, and exempt them from any liability for any tax payment, penalty, 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 in any event where shares or any other non-monetary asset 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 a sum 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 transfer of said payment by the offeree.

5.13.4. Before the applicable tax as stated in Section 7 of the Income Tax Rules (Tax Reliefs in Stock Grants to Employees), 5763-2003 has been paid, the warrants or exercise shares shall not be transferable, assignable, pledgeable, attachable, or otherwise subject to voluntary encumbrance, and no power of attorney or transfer document shall be granted in their respect, 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 Reliefs in Stock Grants 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 duration of 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 treat them in accordance with the provisions of Section 102 of the Ordinance, the provisions of the warrants plan, and the trust instructions that will be set between the Trustee and the Company.

5.13.4.2. The transfer of shares resulting from the exercise of the warrants from the Trustee to the offeree or to any third party will be possible after the end of the

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lock-up period, after payment or deduction of the tax and will be made

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In accordance with the conditions 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 the grant and will be subject to tax at the time of the 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 the grant (if created) will be taxed at the time of the Tax Event in accordance with the marginal tax rate that will apply to the employee at that time. The calculation of the amount of the benefit created for the employee on the date of the 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 balance of the consideration or value that will accrue to the employee at the time of the Tax Event will be taxed as a capital gain in the hands of the employee at the time of the Tax Event at the rate prescribed by law at the time of the Tax Event.

5.13.4.5. Notwithstanding the foregoing, if the employee exercises the warrants before the end of the trust holding period, all the consideration or value that accrues to the employee at the time of exercise will be considered labor income, and it will be taxed in accordance with the marginal tax rate applicable to the employee at the time of exercise.

5.13.4.6. In respect of the benefit created for the employee as stated in Section 5.13.4.4 above, the Company will be allowed a wage expense for tax purposes in the amount of the benefit to which the marginal tax will apply. In respect of the balance of the consideration or value that accrues to the employee as stated in Section 5.13.4.4 above, the Company will not be allowed an expense for tax purposes.

The contents of this prospectus should not be seen as tax advice or an authoritative or exhaustive description of the provisions of the law 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 based on their personal circumstances and taking into account their specific data, and obtain legal and professional advice at their discretion and in accordance with their personal data.

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Chapter C – The Rights Attached to the Company's Shares

6. The Rights Attached to the Company's Shares

The exercise shares subject to the warrants shall be, from the date of their allotment, equal in their rights in every respect to the Ordinary Shares of the Company. The Company shall treat the exercise shares as fully paid shares. The provisions of the Company's Regulations include, among others, 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 Regulations as of the date of the description. It is clarified that the detail provided below is concise and does not serve as a substitute for reviewing the full version of the updated Regulations, 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 Regulations detailed below are subject to the provisions of the Companies Law, 5759-1999 (hereinafter: "the Companies Law"), the Securities Law, and any law.

Below is a concise detail regarding the arrangements, as set out 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 Regulations according to the provisions of the Companies Law.

6.1. **Amendment of the Regulations (Section 20 of the Companies Law)** – The Company may change the Regulations by a resolution adopted at the General Meeting by a majority of sixty-six percent (66%) of all votes of the shareholders present at the General Meeting who are entitled to vote and voted therein, without taking into account the votes of those abstaining. Notwithstanding, the 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 Regulations).

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

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

6.3.1. <u>**Appointment of Directors at a Special Meeting**</u> – A Special Meeting of the Company may appoint directors to the Company in place of directors whose term has ended and also in any case where the number of board members has fallen below the minimum set in the Regulations 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 Regulations).

6.3.2. <u>**Appointment of Directors by the Board of Directors**</u> – 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 Regulations, whether to fill a casual vacancy or as an addition to the Board of Directors, and also to terminate his tenure. Any director so appointed shall serve until

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the next Annual Meeting and may be re-elected, unless his tenure was terminated by the Board of Directors or by the General Meeting (see Regulation 18.2 of the Regulations).

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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 holding together not less than 40% of the company's shares.

If half an hour has passed from the time set for the meeting and a quorum is not found, 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, hour 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 found at the adjourned meeting as stated, one shareholder, present in person or by proxy, shall constitute a quorum, unless it was convened at the request of shareholders (see Regulation 15.1 of the Company's Articles of Association).

6.5. **Chairperson of the General Meeting (Section 80 of the Companies Law) –**

The Chairman of the Board of Directors shall preside at every general meeting, and in his absence, the person appointed for that purpose 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 chairperson of the meeting shall not have an additional or deciding 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 or whoever was elected to conduct the meeting shall not have an additional vote (see Regulation 19.2 of the Articles of Association).

6.7. **Term of Office of Directors (Section 222 of the Companies Law) –** The elected directors shall take office starting from the end of the general meeting at 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 set in the decision on their appointment (see Section 18.3 of the Articles of Association).

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	Articles of Association Sections
Dividend distribution 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 the meeting	14-17
Restriction on transfer of shares	9
Conditions for changing rights attached to shares	12.2

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Chapter D – The Company's Securities Prices

7. The Company's Share Capital as of the Description Date

7.1. The registered share capital of the Company as of the date of this description 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 description 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 description date and after the allocation of the warrants according to this description, is 9,951,608 ordinary shares under a theoretical assumption[7] of the exercise of the offered warrants into Company shares.

8. Details regarding the TASE prices of the Company's shares

Below are details regarding the high and low adjusted closing price of the Company's share in the years 2023, 2024 and up to proximity to the publication date of this description (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 proximity to the date of publication of this description.

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 each warrant for each of the groups as detailed in Section 4.2 above, totals approximately NIS 281.89.

Below are the assumptions at the base of 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%
Life of the warrant (years)	4.5-5
Expected dividend rate	0%
Value per single warrant (NIS)	263-305

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

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10. Company Share 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 trading day on the Stock Exchange preceding the publication date of this outline) was NIS 740.

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

The warrants plan, the warrant agreement, or this outline shall not be interpreted as a promise or any commitment on the part of the Company or an affiliated company to continue to employ the Offeree or 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 the Offeree's employment, hiring of services, or service.

The Company or the affiliated company reserve the right to fire any Offeree or terminate the hiring of their services or service in accordance with the terms of the Offeree's employment, hiring of services, or service as stated, in accordance with the arrangements regarding this matter, to the extent they exist, and according to any law.

12. Absence of Representation

Nothing in the warrants plan, any sub-plan, or the warrants agreement, or this outline shall constitute any representation on the part of the Company towards any Offeree in relation to the Company, its business, its value, or its shares in general or the exercise shares in particular. Each Offeree, upon entering into a warrants agreement, shall declare and undertake towards the Company that his/her consent to the grant of warrants granted for his/her 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 shall be done solely based on his/her examination of the Company and his/her expectations from it, in its 'As-Is' state. Each Offeree shall waive any claim of 'non-conformity' of any kind, as well as any other cause of action or lawsuit of any kind in relation to 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 previously approved, or as imposing any restrictions on the Board of Directors' authority to adopt other incentive arrangements as it deems fit, including and without derogation, the grant of warrants for shares in the Company not under the warrants plan, and such arrangements may have general applicability or apply to specific cases only.

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

To the best of the Company's knowledge, as of the publication date of this outline, there are no agreements, whether written or oral, between the Offerees and a shareholder in 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 Inspection of Documents

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

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15. Details on the Company's representatives regarding the handling of the shelf prospectus

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

Bet Shemesh Engines Holdings (1997) Ltd.

By: Dov Feldman, CFO

Shelf Prospectus Date: March 25, 2026

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