



OIL REFINERIES LTD

Condensed Consolidated Interim Financial Statements as at March 31, 2024

(Unaudited)

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Report of the Board of Directors on the State of the Company's Affairs **for the period ended March 31, 2024**

The Board of Directors is pleased to present the Report of the Board of Directors on the State of the Company's Affairs for the period ended March 31, 2024 (hereinafter - the "Reporting Period"). This report is presented under the assumption that the entire interim report and the entire 2023 Periodic Report, including the Description of the Corporation's Business chapter for 2023, are also available to the reader.

Chapter 1 - Description of the Group and its Business Environment

A. Bazan Group's operating segments

Bazan Ltd. (hereinafter - the "Company" or "Bazan") and its subsidiaries (hereinafter - "Bazan Group" or the "Group") are industrial companies involved in two primary operating segments: the Refining Segment (through the Company and Gadiv) and the Polymers Segment (through Carmel Olefins and Ducor). In addition, Group companies engage in operations that are not material: primarily the Trade Segment (through Trading and Shipping).

The Carmel Olefins and Gadiv plants in Israel are downstream facilities of the Company and receive most or all of the required feedstock from the Company on an ongoing basis through pipelines, and return all or part of the products of their facilities to the Company, as well as the feedstock not used in their operations. This allows synergy across multiple segments, increasing operating efficiency.

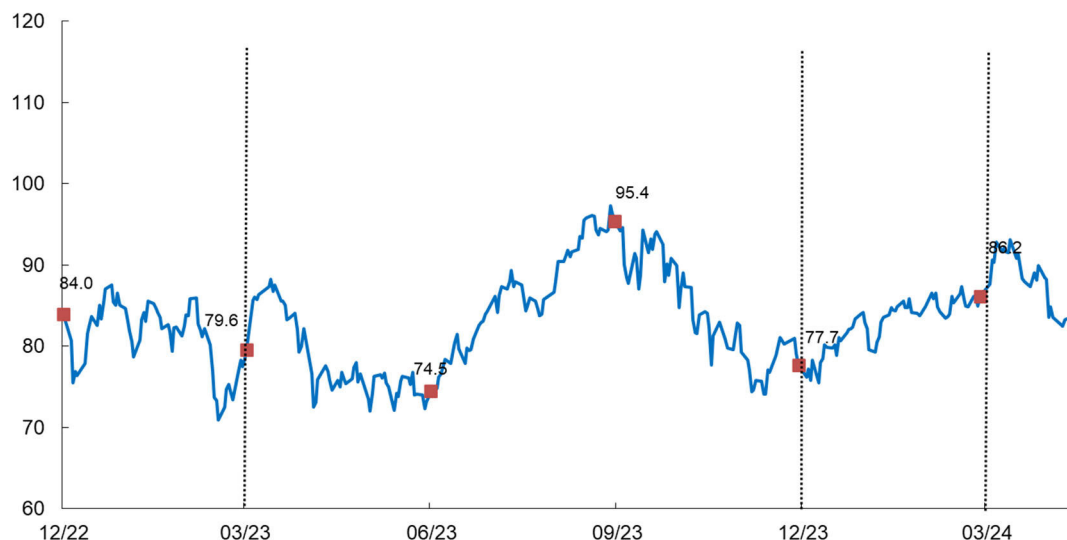
B. Bazan Group's business environment and profitability

Refining Segment (the Company and Gadiv)

Price of crude oil*

Crude oil price

Brent crude¹ prices in 2023-2024 (USD per barrel)



Source: Refinitiv (LSEG)
Dated Brent¹

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Chapter 1 - Description of the Group and its Business Environment - cont.

B. Bazan Group's business environment and profitability - cont.

Refining Segment (the Company and Gadiv) - cont.

Crude oil price - cont.

Average price of Brent crude (USD per barrel)

1-3.2024	1-3.2023	Change
82.9	81.1	2%

- During the Reporting Period, the Brent price was characterized by a mixed trend, reaching levels of USD 75 to USD 87 per barrel; the Brent price was impacted, among other things, by the following factors:

Supply side: The decision of OPEC+ members to extend their lower production rate through the end of the second quarter of 2024. On the other hand, there was an increase in crude oil exports by the US.

Demand side: Increased enforcement by the USA in connection with the sanctions imposed on Russian, Iranian and Venezuelan oil. On the other hand, there was a decrease in demand due to the high interest rate environment.

- Subsequent to the reporting date, Brent prices fell, with Brent traded at levels of USD 80 to USD 93 per barrel; prices were impacted, among other things, by the fading of the concerns regarding a wide-scale escalation in the Middle East concurrently with a high interest environment.
- Shortly before the report approval date, the Brent price was fixed at approx. USD 80 per barrel.
- During the Reporting Period, the crude futures market curve was in backwardation at an average of approx. USD 0.6 per barrel, respectively, compared to backwardation of approx. USD 0.2 per barrel in the corresponding period last year.

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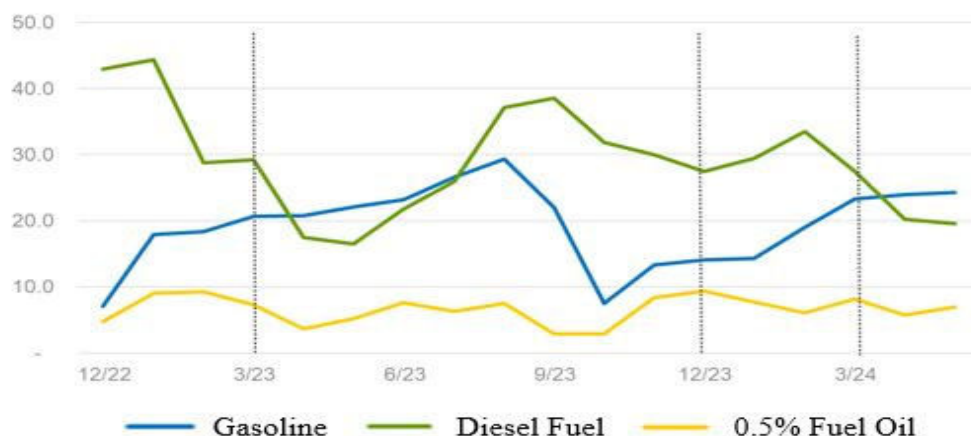
Chapter 1 - Description of the Group and its Business Environment - cont.

B. Bazan Group's business environment and profitability - cont.

Refining Segment (the Company and Gadiv) - cont.

Refining margins*

**Monthly average⁽¹⁾ of Mediterranean transport diesel fuel,⁽²⁾ gasoline, ⁽³⁾ and 0.5% fuel oil ⁽⁴⁾
Compared to Brent crude ⁽⁵⁾ (USD per barrel)**



Source: Refinitiv (LSEG)

- (1) Monthly average for May until the report publication date.
- (2) ULSD CIF Med
- (3) Prem Unl CIF Med
- (4) % Fuel Oil 0.5 CIF Med
- (5) Brent (dated)

Average transport diesel fuel, gasoline and 0.5% fuel oil margins compared to Brent crude oil (USD per barrel)

	1-3.2024	1-3.2023	Difference
Diesel fuel ⁽¹⁾	30.2	34.1	-3.9
Gasoline	18.7	19.0	-0.3
0.5% fuel oil	7.3	8.5	-1.2

- (1) In the corresponding period last year, the diesel fuel margin was at a higher level than the multi-year average due to strong demand prior to the entry into effect of the sanctions on Russian oil and distillates. In the Reporting Period, the diesel fuel margin remained high due to Ukraine's attacks on refineries in Russia, and longer sailing routes from Asia to Europe due to the Houthis' attacks in the Red Sea.

Immediately prior to the approval date of the report, the diesel fuel and gasoline margins were approx. USD 22 and approx. USD 24 per barrel, respectively.

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Chapter 1 - Description of the Group and its Business Environment - cont.

B. Bazan Group's business environment and profitability - cont.

Refining Segment (the Company and Gadiv) - cont.

Refining margins - cont.

Domestic market consumption of distillates (thousand tons) (1)

	1-3.2024	10-12.2023	7-9.2023	4-6.2023	1-3.2023
Transportation fuels ⁽²⁾	1,758	1,674	2,174	2,058	1,995
Other distillates	654	567	631	592	662
Total	2,412	2,241	2,805	2,650	2,657

Source: Ministry of National Infrastructures, Energy and Water Resources.

- (1) During the reporting period, the overall consumption of distillates in the domestic market (transportation fuels, other distillates for industry and heating) decreased by approx. 9% compared with the corresponding period last year.
- (2) Consumption of transportation fuels (gasoline, diesel fuel and kerosene) decreased by approx. 12% in the Reporting Period compared to the corresponding period last year.

The decline in consumption started in the fourth quarter of 2023 due to the effects of the Iron Swords War; however, an increase is apparent in the first quarter of 2024.

Refining volume

Utilization of crude oil refining facilities, crude oil refining volume and HVGO processing in the Refining Segment (thousand tons):

	1-3.2024	1-3.2023	
Utilization of refining facilities	85% ⁽¹⁾	93%	
Refining volume	2,095	2,250	
Volume of HVGO	312	137	
Total	2,407	2,387	+1%

- (1) Mainly due to optimization considerations, seeking to maximize the Group's profitability starting from the crude oil purchase phase to the production of petroleum products, polymers and aromatics.

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Chapter 1 - Description of the Group and its Business Environment - cont.

B. Bazan Group's business environment and profitability - cont.

Breakdown of the Company's output by main product groups in the Refining Segment (thousand tons):

	1-3.2024	Total in %	1-3.2023	Total in %
Diesel fuel	927	39%	976	42%
Kerosene	135	6%	155	6%
Gasoline	422	18%	390	17%
1% fuel oil	88	4%	195	8%
0.5% fuel oil	357	15%	184	8%
Raw materials for polymer production	167	7%	133	6%
Aromatics	97	4%	109	5%
Other ⁽¹⁾	162	7%	196	8%
Total	2,355	100%	2,338	100%

(1) Primarily includes: LPG, bitumen, and from time to time - naphtha.

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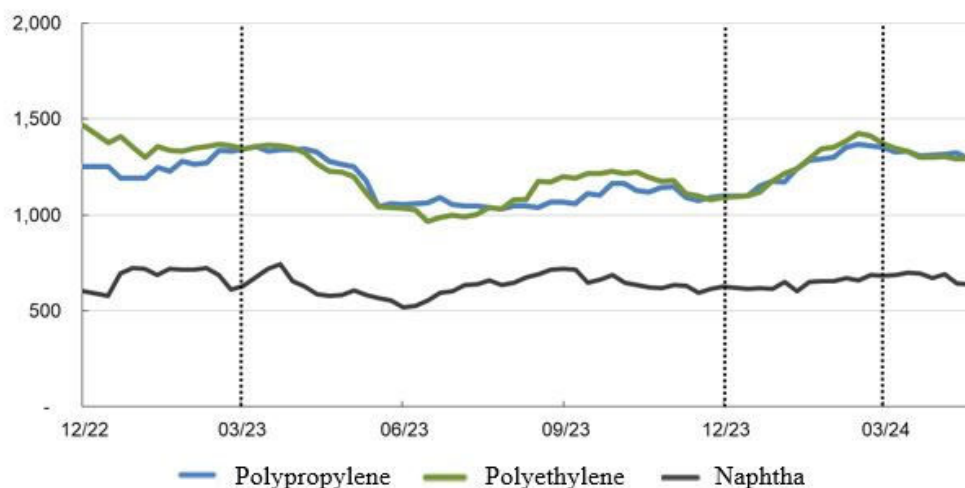
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B. Bazan Group's business environment and profitability - cont.

Polymers Segment (Carmel Olefins and Ducor)

Polymer and naphtha prices*

Polymer⁽¹⁾ and naphtha⁽²⁾ prices in 2023-2024 (USD per ton)



Source: ICIS

- (1) Polyethylene - LDPE FD NWE Spot, polypropylene - PP FD NWE Spot
 (2) Naphtha CIF NWE

Average polymer and naphtha prices (USD per ton)

	1-3.2024	1-3.2023	Change
Naphtha	650	683	-5%
Polypropylene	1,268	1,268	0%
Polyethylene	1,292	1,354	-5%

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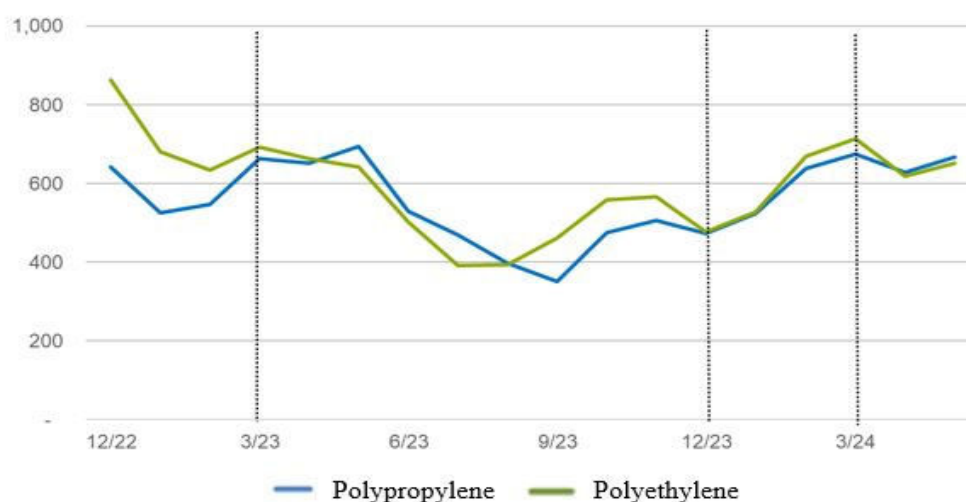
Chapter 1 - Description of the Group and its Business Environment - cont.

B. Bazan Group's business environment and profitability - cont.

Polymers Segment (Carmel Olefins and Ducor) - cont.

Margins*

Average monthly⁽¹⁾ difference of the difference between polymer and naphtha prices in 2023-2024 (USD per ton)



Source: ICIS

(1) Average for May until the report publication date.

Change in the difference between the average polymer and naphtha prices (USD per ton)

	1-3.2024	1-3.2023	Difference
Polypropylene	618	585	33
Polyethylene	642	671	-29

- In the reporting period, there was an increase in the difference between the average price of polypropylene and the average price of naphtha compared with the corresponding period last year; the increase is arising from a weakening in naphtha prices.
- In the reporting period, there was a decrease in the difference between the average price of polyethylene and the average price of naphtha compared with the corresponding period last year; the decrease is attributed to a weakening in polyethylene prices offset by a decrease in naphtha prices.
- Immediately prior to the report approval date, the polypropylene and polyethylene margins was approx. USD 655 per ton, respectively.

Polymer output volume (thousand tons)

	1-3.2024	1-3.2023	Difference
Polymers	164	153	11

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Chapter 2 - Operating Results of Bazan Group for the Three-Month Period Ended March 31, 2024

A. Operating Results of Bazan Group

Breakdown of selected figures from the reported consolidated statements of income after adjustment for accounting effects for the three-month period ended March 31, 2024 (USD millions)

To also present the financial-based operating results of the Refining Segment, in order to provide the reader of the Report with related information regarding the cash based operating income; to enable better analysis for comparison with various benchmark indices (that are calculated on an assumption that there are no inventory balances and based on the absence of hedging transactions in respect thereof); and to enable better understanding of the business performance over time and compared to comparable companies; the accounting effects in the Refining Segment are adjusted for the Fuels unit only (excluding the Aromatics unit).

In this Report, the term “consolidated adjusted EBITDA” refers to the adjusted EBITDA in the Refining Segment, for the Fuels Unit only, in addition to the reported EBITDA in the Group’s other operating segments.

	1-3.2024	1-3.2023	Change
Income	2,088	2,153	(3%)
Reported EBITDA	130	307	(58%)
Depreciation	(41)	(39)	5%
Other expenses, net ⁽¹⁾	(8)	(4)	100%
Operating profit	81	264	(69%)
Finance expenses, net ⁽²⁾	(21)	(18)	17%
Income tax ⁽³⁾	(11)	(40)	(73%)
Net income	49	206	(76%)
Refining Segment adjustments ^(*)	(6)	(20)	
Adjusted EBITDA	124	287	(57%)
Adjusted operating income	75	244	(69%)
Adjusted net income	43	186	(77%)

(*) For details regarding the adjustment components, see Section B3.

- (1) Including amortization of excess cost. Early retirement costs in the Reporting Period amounted to USD 3 million (for details, see Note 8I to the Financial Statements).
- (2) Principal changes in finance expenses, based on financial analysis (in USD millions):

	1-3.2024 compared with 1-3.2023
Finance expenses, net during the corresponding period last year	18
Interest on borrowings, net ^(*)	(1)
Exchange rate differences	4
Total change	3
Net finance expenses in the Reporting Period	21

(*) It is noted that the Group is exposed to changes in the variable USD interest, as detailed in Note 30D to the Annual Financial Statements.

- (3) The increase in the Reporting Period arises mainly from a decrease in income before tax compared with the corresponding period last year.

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Chapter 2 - Operating Results of Bazan Group for the Three-Month Period Ended March 31, 2024 - cont.

A. Operating Results of Bazan Group - cont.

Consolidated adjusted EBITDA by operating segment (USD million):

	1-3.2024	1-3.2023	Change
Refining Segment	121	279	(158)
Polymers Segment	–	4	(4)
Other and adjustments	3	4	(1)
Total	124	287	(163)

	1-3.2024	10-12.2023	7-9.2023	4-6.2023	1-3.2023
Refining Segment	121	100	235	105	279
Polymers Segment	–	(14)	(3)	(4)	4
Other and adjustments	3	11	1	9	4
Total	124	97	233	110	287

Refining margin (USD per barrel)

	1-3.2024	10-12.2023	7-9.2023	4-6.2023	1-3.2023
Adjusted refining margin ⁽¹⁾	11.0	10.6	17.9	10.7	19.9
Adjusted pro forma refining margin		1.1			
Realized hedges of refining margins	1.3 ⁽²⁾	0.7	1.5	(0.2)	1.6
	12.3	12.4	19.4	10.5	21.5
Benchmark margin*	12.5	10.4	15.3	8.1	17.3

(1) For details regarding the adjustment components, see Section B3 below.

(2) For details regarding the loss from realization of refining margin hedges, see Section B3 below.

Benchmark margin*

Calculated according to a fixed formula in which the margin is defined as the financial difference between the proceeds from the product mix and the cost of crude oil and HVGO (hereinafter, jointly - the “crudes basket”), taking into account the variable costs involved in the refining process, which is typical of Bazan’s facilities. The said financial difference, divided by the normative refining amount, constitutes the margin in terms of dollars per barrel.

- The crudes basket has characteristics that are similar to a typical basket of Bazan, for which a global market quote is available.
- The product mix represents the outputs of the crudes basket in the formula. These products are sold in domestically and abroad, and a global market quote is available for them.
- Variable costs involved in the refining process mainly include energy expenses; the energy is provided through the purchase of natural gas in accordance with Bazan's purchase contract as well as through the use of own-produced combustion gases.
- Global market quotes for the crudes basket and products are determined according to quotes of Platts (member of the S&P group), which change every business day on which the said quotes are published.

* Calculated by (<https://www.fgenergy.com>) (Energy Market Consultants) EMC and published on the Refinitiv platform (LSEG).

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Chapter 2 - Operating Results of Bazan Group for the Three-Month Period Ended March 31, 2024 - cont.

A. Operating Results of Bazan Group - cont.

- The benchmark margin is a theoretical margin calculated under the assumption of regular and full operation of the refinery and, accordingly, does not reflect periodic maintenance work, ongoing malfunctions, short-term optimization considerations, realization of derivatives hedging the refining margin, certain inventory effects, etc.
- According to the above and for additional reasons, there may be substantial differences between the benchmark margin and the Company's actual adjusted refining margin.
- As stated in Note 20B(2) to the Annual Financial Statements regarding the reduction of condensate piping to the Company, for the purpose of calculating the said benchmark margin, as from March 11, 2024 the condensate is not included in the crudes basket.

B. Analysis of results for the three-month period

1. Turnover of sales to external customers, by operating segment* (in USD millions)

	Sales turnover In USD million		Breakdown of sales		Average prices of the product mix – USD per ton	
	1-3.2024	1-3.2023	1-3.2024	1-3.2023	1-3.2024	1-3.2023
Refining ⁽¹⁾	1,893	1,921	91%	89%	805	813
Polymers ⁽²⁾	193	223	9%	11%	1,223	1,320
Other	2	9	0%	0%		
Total	2,088	2,153	100%	100%		

- (1) The decrease in the turnover of sales of the Refining Segment during the reporting period compared with the corresponding period last year resulted mainly from a decrease in distillates prices.
- (2) The decrease in the sales turnover of the Polymers Segment in the reporting period compared with the corresponding period last year stemmed from a decline in polymers prices alongside a decline in quantities sold.

- (*) It is noted that in the refining and petrochemical industry, the main factor affecting the operating results is not the sales turnover, but rather the refining and petrochemical margins, which is the difference between the revenues from the sale of a mix of products and the costs of the energy and raw materials required for their production. In addition, the results are affected by the utilization of production facilities.

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Chapter 2 - Operating Results of Bazan Group for the Three-Month Period Ended March 31, 2024 - cont.

B. Analysis of results for the three-month period - cont.

2. Consolidated Adjusted EBITDA in the operating segments

Following is a breakdown of the main reasons for the changes in consolidated adjusted EBITDA for the operating segments in the Reporting Period compared to the corresponding period last year.

Main reasons for the change in consolidated adjusted EBITDA - by segments (in USD million):

Increase (decrease)	Refining	Polymers	Other and adjustments	Consolidated
Adjusted EBITDA - January-March 2023	279	4	4	287
Margin/contribution ⁽¹⁾	(159)	(1)	(1)	(161)
Sales volumes	–	(3)	–	(3)
Operating expenses ⁽²⁾	1	–	–	1
Total change	(158)	(4)	(1)	(163)
Adjusted EBITDA - January-March 2024	121	–	3	124

(1) For analyzing the EBITDA, the change in marketing and selling expenses (transportation, storage and etc.) were included in the contribution analysis.

(2) Includes fixed, production, general and administrative.

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Chapter 2 - Operating Results of Bazan Group for the Three-Month Period Ended March 31, 2024 - cont.

B. Analysis of results for the three-month period - cont.

3. Adjustment components in the Refining Segment

Breakdown of adjustment components in the Refining Segment (with respect to the Fuels Unit) and their effect on EBITDA (USD millions):

	1-3.2024	1-3.2023
Refining Segment reported EBITDA	127	299
Effects of timing differences ⁽¹⁾	(23)	18
Effect of adjusting value of inventory to market value, net	14	(3)
Effects of changes in fair value of derivatives	3 ⁽²⁾	(35)
Total adjustments ⁽³⁾	(6)	(20)
Refining Segment adjusted EBITDA	121	279
Adjusted refining margin - USD per barrel	11.0	19.9⁽⁴⁾
Benchmark margin - USD per barrel	12.5	17.3

- (1) As at Reporting Date, the volume of inventory that is not hedged by contracts is approx. 480 thousand tons.
- (2) In the reporting period, the Company recognized a loss of approx. USD 26 million in the reported EBITDA in respect of futures to hedge the refining margin, and a loss of approx. 23 million (approx. USD 1.3 per barrel) in the adjusted EBITDA in respect of the realization of refining margins hedges.
- (3) As defined in the Company's Report of the Board of Directors for 2023.
- (4) During the corresponding period last year, the Company recognized an adjusted EBITDA for a loss in realizing refining margin hedges totaling approx. USD 29 million (approx. USD 1.6 per barrel).

4. Net income

Main reasons for the change in the consolidated net income (in USD million)

Net income 1-3.2023	206
Change in reported EBITDA	(177)
Change in depreciation expenses	(2)
Change in finance expenses, net	(3)
Change in tax expenses	29
Other	(4)
Net income 1-3.2024	49

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Chapter 3 - Analysis of Financial Position (Balance Sheet)

USD million

	March 31, 2024	December 31, 2023	Change	Explanation
Trade and other receivables	746	740	1%	In respect of an approx. USD 46 million increase in trade receivables, which is mainly attributed to an increase in quantity and price of the products, and on the other hand the use of factoring at the total amount of approx. USD 23 million (for details, see Note 8D to the Financial Statements), offset against an approx. USD 40 million decrease in receivables, which stems mainly from a decrease in receivables from institutions (VAT).
Inventories	794	769	3%	Mainly in respect of a rise in quantity and a rise in prices in the Refining Segment.
Property, plant & equipment, net	2,242	2,262	(1%)	
Trade, other payables and provisions	1,092	1,092	–	In respect of a decrease in trade payable balance in an amount of approx. USD 89 million, which stems mainly from a decrease in crude quantity offset against a price increase, and - on the other hand - increase in other payables in an amount of approx. USD 89 million, which is mainly due to a balance of dividend payable in an amount of approx. USD 144 million (for details see Note 8F to the Financial Statements) offset against a decline in the balance of taxes payable.
Financial derivatives, net	(71)	(64)	11%	For details, see Note 7B to the Financial Statements.
Long term bank loans and debentures (including current maturities)	1,246	1,188	5%	Mainly due to raising of debentures and loans offset against repayments of principal of approx. USD 67 million and against exchange rate differences (*).
Equity capital	1,772	1,857	(5%)	Mainly due to a net income for the period of approx. USD 49 million, offset against a declared dividend totaling approx. USD 144 million.
Equity to asset ratio	38%	40%		

(*) Generally, the Group takes action to hedge the NIS debentures through principal and interest swaps. Accordingly, the effect of debenture exchange rate differences were substantially offset.

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Chapter 4 - Analysis of the Group's Liquidity

Working capital (current assets less current liabilities) (USD millions)

March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
899	927	920	926	869

Current ratio

The current ratio at March 31, 2024 is 1.6 and as at December 31, 2023 - 1.7.

Accounting Cash Flows* for January-March 2024 (USD million)

	1-3.2024
	In USD millions
Cash as at December 31, 2023	763
Cash flow provided by operating activities ⁽¹⁾	(37)
Interest paid, net	(28)
Purchase of property, plant & equipment	(25)
Repayment of long-term bank loans and debentures, including early repayment ⁽²⁾	(166)
Receipt of long-term borrowings, net of debt raising costs ⁽²⁾	233
Payment of lease liabilities	(5)
Change in deposits and short-term borrowing, net	45
Other	(4)
Share buyback ⁽³⁾	(3)
Cash as at March 31, 2024	773

(*) Based on presentation in the Financial Statements.

- (1) Net operating cash outflows arise mainly from an increase in operating working capital (trade receivables, inventory and trade payables) in the reporting period. Furthermore, during the reporting period, tax payments of approx. USD 57 million were made in respect of 2022-2023. For further details, see the Statements of Cash Flows in the financial statements.
Net operating cash outflows, plus interest paid in the Reporting Period amounted to approx. USD (65) million.
- (2) Including repayments of loans in the amount of approx. USD 101 million against new loans. For details, see Note 6A to the Financial Statements.
- (3) For details, see Note 8F2 to the Financial Statements.
- (4) For details regarding dividend declared and not yet paid as of the report date, see Note 8F1 to the Financial Statements.

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Chapter 5 - Total Borrowings from Financial Institutions

Breakdown of Bazan Group's net consolidated debt to financial institutions and Bazan Group debenture holders (in USD millions):

Financial debt

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Short-term borrowings ⁽¹⁾	15	13	10	12	1
Loans from banks ⁽²⁾	488	462	478	449	426
Debentures ⁽²⁾	787	754	728	754	887
Hedging transactions on debentures ⁽³⁾	40	31	34	33	12
Total gross financial debt*	1,330	1,260	1,250	1,248	1,326
Liquid financial assets ⁽⁴⁾	(773)	(799)	(690)	(507)	(591)
Total financial debt, net**	557	461	560	741	735

- (1) Mainly for Ducor.
- (2) Including current maturities. Stated according to adjusted par value (excluding interest payable).
- (3) In accordance with the Group's hedging policy, the Group hedges the NIS debentures. The principal and interest swaps hedging transactions are presented concurrently with the presentation of the debentures, at their adjusted par value (without interest receivable/payable), less or plus the deposits provided to secure the transactions.
- (4) Including cash and cash equivalents and short-term deposits (excluding the deposits provided to secure the transactions that were carried out against the issuance of NIS debentures).

* Gross financial debt includes short-term credit, loans from banks, debentures and hedging transactions in respect of debentures.

** Net financial debt includes gross financial debt net of liquid financial assets.

For details regarding the Group's secured short-term credit facilities for 2024, see Note 13A2 to the annual financial statements. As at March 31, 2024, the Group has unutilized secured credit facilities in the amount of approx. USD 348 million (utilization is for letters of credit and guarantees only).

Movement in Financial Debt, net

	1-3.2024
	In USD millions
Net Debt as at December 31, 2023	(461)
Operating cash flows (net of change in operating working capital and income tax paid, net)	182
Change in working capital ⁽¹⁾ (net of change in discounting and interest-bearing trade payables)	(155)
Changes in discounting and interest-bearing trade payables ⁽²⁾	(7)
Income tax paid, net	(57)
Interest paid, net	(28)
Purchase of property, plant & equipment	(25)
Payment of lease liabilities	(5)
Change in deposits, net ⁽³⁾	6
Other	(4)
Share buyback ⁽⁴⁾	(3)
Net debt as at March 31, 2024	(557)

- (1) Change in inventory, trade receivables and trade payables balance.
- (2) For details about the balances of discounting and interest-bearing trade payables, see Note 8D and 8E to the Financial Statements, respectively.
- (3) Arises mainly from an increase in deposits from customer. Excluding the deposits provided to secure the transactions that were carried out against the issuance of NIS debentures.
- (4) For details, see Note 8F2 to the Financial Statements.

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Bazan Ltd.

Chapter 5 - Total Borrowings from Financial Institutions – cont.

Financial leverage

	March 31, 2024	December 31, 2023
Financial leverage (*)	1.0	0.6

(*) Net financial debt as defined above divided by adjusted EBITDA in the last 4 quarters.

Average volume of sources of financing in the Reporting Period

Short-term borrowings, long term loans and debentures (including current maturities, based on their nominal value and without the costs of capital raising) of approx. USD 1,260 million. Average trade receivables of approx. USD 643 million and average trade payables of approx. USD 794 million.

Chapter 6 - Exposure to Market Risks and Management Thereof

In the Reporting Period, there were no significant changes in market risks to which the Company is exposed, in the policies for managing these risks and in those charged with managing them compared with the Report of the Board of Directors on the State of the Company's Affairs for the period ended December 31, 2023.

Chapter 7 - Corporate Governance Aspects

During the reporting period, there was no change in the minimum required number of directors with accounting and financial expertise, the minimum number of independent directors required by law and disclosure regarding the internal auditor of a reporting corporation, with regard to the description in the Report of the Board of Directors on the State of the Company's Affairs Report of the Report of the Board of Directors on the State of the Company's Affairs for the period ended December 31, 2023.

Chapter 8 - Disclosure of the Corporation's Financial Reporting

A. Additional information contained in the independent auditors' report to the shareholders

Without qualifying their conclusions, the independent auditors of the Company draw attention to:
Further to Note 5A to the financial information (including by way of reference to Note 20C to the annual financial statements) regarding the Government of Israel's resolution dated March 6, 2022 on the strategy for the development and advancement of the Haifa Bay, which includes forming a government team to negotiate with the Company, with the aim of reaching an arrangement to discontinue the activity of petrochemical manufacturing of the Group companies, while maintaining the energy security and regular fuel supply to the Israeli economy; in the opinion of the Company's management, at this stage, it is impossible to evaluate the significance and impact on its activity, business and financial results; as well as to Note 5B(1) to the financial information (including by way of reference to Note 20A(4) to the annual financial statements) regarding proceedings against Group companies in connection with environmental laws and regulations; in the opinion of the Company and the consolidated companies' managements, which is based, among other things, on the opinion of their legal counsels, the effect of some of those proceedings on the financial position and operating results, if any, cannot be assessed at this stage; therefore, no provisions were included with regard to this issue in the financial information.

B. Use of estimates and judgments

For further details concerning the use of estimates and judgments, see Note 2B to the Financial Statements.

C. Definition of negligible transactions in the Company's financial statements

In the Reporting Period, there were no changes with regard to the disclosure given in this regard in the 2023 Periodic Report.

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Chapter 9 - Details of Outstanding Debentures

In the Reporting Period, there were no changes in the details of the existing series of debentures issued by the Company and offered to the public under a prospectus, in the details of the debentures' trustees, in the terms and conditions for call for immediate repayment of the debentures, in the Company's compliance with these terms and conditions, and in the collateral for the debentures as detailed in the Report of the Board of Directors on the State of the Company's Affairs for the period ended December 31, 2023 and in the notes to the Financial Statements for that year, with the exception of the reiterated rating of the Company and its debentures by Maalot (S&P) at 'ilA+' with a stable outlook; as well as in the expansion of Debentures (Series M), as detailed in Note 6A to the Financial Statements.

For further details regarding the financial covenants applicable to the Company, see Note 6B to the Financial Statements.

In the Reporting Period the company complied with its liabilities towards the debenture holders to refrain from creating a charge on the Company's assets, unless in accordance with the provisions of the relevant deeds of trust.

Chapter 10 - Significant Events in and Subsequent to the Reporting Period

A. The Iron Swords War

Further to Chapter 10A to the Annual Report of the Board of Directors, during the reporting period, the effects of the War on the Group's activity are declining as a result of positive developments in relation to the ability to use the relevant infrastructures and the manner of such use in combination with the Group's capabilities in order to reduce the incremental costs. However, along with the improved demand and method of use of infrastructures, the War declared in Israel increases the cost of shipping to and from Israel, including increased cost of freight insurance and other insurance policies of the Group. In addition to the excess costs due to the state of War, the Group changed the commercial terms with some of its customers, such that the responsibility for transport, including the costs associated with the exportation of the products, are borne by the Company, but fully reflected in the final sale price.

The continuation of the aforementioned subsidence trend of the excess costs is uncertain, and the trend may even reverse, given the lack of certainty regarding the duration of the War, its intensity, its impact on the Company's areas of activity, including the possibility that the Israeli economy will return to a normal operating pattern, or how it will adapt to operating in an ongoing state of emergency.

The effects of the War have led, among other things, to changes in the growth forecast, an expected increase in government deficit and the debt ratio. In February 2024, rating agency Moody's announced that, in view of the consequences of the War and the conduct of the government, it is downgrading Israel's credit rating from A1 to A2, with a negative outlook. Furthermore, in April 2024 the international rating agency S&P announced that in view of the geopolitical risks Israel has been exposed to since the outbreak of the War, it downgrades Israel's credit rating from AA- to A+ with a negative outlook. A deterioration in the local economy in Israel may affect the Company's ability to raise credit and funding sources.

In that context, it is emphasized that the Group constitutes a significant strategic asset for the Israeli energy sector. The importance of the Group to the local energy sector was demonstrated all the more so upon the outbreak of the Iron Swords War. The refinery's continuous work, the deferral of the renovation of CDU 4, and the diversion of resources to transport raw materials and distillates to and from Israel, maintained Israel's energy security. Noting the above and further to the lessons drawn from the ongoing War, the Company's management believes that the Government Resolution regarding the Haifa Bay should be reconsidered, including the setting up of a taskforce, which will assess the impact on energy security.

For details regarding the announcement of the Turkish Ministry of Trade in connection with the discontinuance of trade with Israel, see the Revision of the Description of the Corporation's Business chapter.

At this stage, there is substantial uncertainty as to the development of the War, its scope and duration; therefore, it is impossible to assess the future impact of the War on the Company and on its results.

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Chapter 10 - Significant Events in and Subsequent to the Reporting Period – cont.

B. Russia-Ukraine war

For details regarding the impact of the war in Ukraine on the Group's business activity, see Note 1C to the Annual Financial Statements. In the reporting period there were no material changes in the Company's estimates regarding the issues detailed in the said note.

C. Debt raising

For details regarding loans taken and the expansion of Debentures (Series M) in the Reporting Period, see Note 6A of the Financial Statements.

D. Refining margin hedging

For details, see Note 8H to the Financial Statements.

E. Significant events

For details about significant events in and subsequent to the reporting period, see Note 8 to the Financial Statements.

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Bazan Ltd.

The Board of Directors thanks the employees and management of the Company for their efforts in the Reporting Period.

Moshe Kaplinsky

Chairman of the Board
of Directors

Asaf Almagor

CEO

May 20, 2024

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**Revision of the Description of the Corporation's Business in the Periodic Report
as at December 31, 2023**

Details in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970.

During and subsequent to the Reporting Period, there were no significant changes or new events in the Description of the Corporation's Business that do not appear in other chapters to the Financial Statements or in the Report of the Board of Directors, except as follows:

1. Further to the Description of the Corporation's Business chapter, subsequent to the reporting period, on May 3, 2024, the Company learned from media reports and from conversations with Turkish customers, suppliers and agents, that the Turkish Ministry of Trade published an announcement whereby trade between Turkey in Israel will be suspended immediately (hereinafter - the "Announcement"). The Company has trade activities involving various parties in Turkey, both as part of exports activities and as part of import activities, and therefore it is making preparations for the operational effects of the said Announcement, and works to mitigate any damages it may incur. As of the report approval date, the Company is unable to assess the manner and scope of the Announcement's implementation by the Turkish authorities and customers or suppliers, and the duration of the trade suspension; however, a preliminary assessment and the preparations it made for dealing with the situation as described above, led the Company to the conclusion that the adverse effect on its 2024 financial results is not expected to be material.

For further details, see the immediate reports dated May 4, 2024 (Ref. No. 2024-01-046884), which are included herein by way of reference.

The abovementioned information regarding the effects of the Announcement on the Company, including the potential adverse effect on its financial results, constitutes forward-looking information, as defined in the Securities Law, 1968, and as such is uncertain and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's assessments regarding the trade activity, which may be adversely affected, assumptions regarding the duration and scope of the trade restrictions, a preliminary attempt to estimate the effects of the Announcement, including the potential courses of action and the alternatives for the relevant trade activity. These effects may not materialize, may materialize only in part or in a manner that is materially different than expected, as a result of factors that are outside the Company's control, including short duration of the trade restrictions (if any), the availability of alternatives for this trade activity, difficulties faced by the Company in analyzing and estimating the effects of the Announcement over time and other risk factors to which the Company is exposed, as stated in Section 1.23 to the Description of the Corporation's Business in the Company's 2023 Annual Report.

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**Revision of the Description of the Corporation's Business in the Periodic Report
as at December 31, 2023 – cont.**

2. Further to Section 1.18.1 to the Description of the Corporation's Business chapter regarding the inter-ministerial Price Committee of the Ministry of Energy and Ministry of Finance (hereinafter - the "Committee") for the assessment of the prices of infrastructure operations in the fuel sector as set out in the Commodities and Services Price Control Ordinance (Fuel Industry Infrastructure Tariffs), 2014 (hereinafter - the "Ordinance"), and the hearing held to the Company by the Committee in connection with this matter, the Company was informed that on May 12, 2024 a "Summary of the Price Committee's Discussion After a Hearing on the Revision of Base Prices for Infrastructure Tariffs in the Fuel Sector" was posted on the website of the Ministry of Energy and Infrastructures.

As a result of this paper, the Committee recommended to the Ministers of Finance and Energy and Infrastructures to revise the tariffs set in the Ordinance and the revision mechanisms. In the opinion of the Company, accepting the Committee's recommendations is expected to increase the amounts paid by the Company in accordance with the Ordinance in respect of the use of oil infrastructures on an annual basis, whose effect on the Group's operating results is immaterial. The draft Ordinance is expected to be published for public scrutiny, and thereafter if the Ordinance will be signed by the ministers it will come into effect. Most of the Company's arguments in the hearing were dismissed by the Price Committee, and the Company is considering its next legal steps in connection with this matter.

The abovementioned information regarding the effects of the implementation of the Ordinance on the Company's operating results constitutes forward-looking information, as defined in the Securities Law, 1968, and as such is uncertain and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on Company's assessments as to the use of the infrastructure and the expected scope and nature of the activity, which may change as a result of various factors, including the potential courses of action and alternatives for the use of the relevant infrastructures. These effects may not materialize, may materialize only in part or in a manner that is materially different than expected, as a result of factors that are outside the Company's control, including difficulties in analyzing and estimating the effects of the Announcement within a short time.



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Independent Auditors' Review Report to the Shareholders of Bazan Ltd.

Introduction

We have reviewed the accompanying financial information of Bazan Ltd. (hereinafter - the "Company") and its subsidiaries (hereinafter - the "Group"), including the condensed consolidated statement of financial position as at March 31, 2024 and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended. The board of directors and management are responsible for preparation and presentation of the financial information for this interim period in accordance with IAS 34 - Interim Financial Reporting and are also responsible for preparation of the interim financial information for this period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express an opinion on the financial information for this interim period based on our review.

Review scope

We conducted our review in accordance with Israel Accounting Standard No. 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially smaller in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Additionally, based on our review, nothing has come to our attention that causes us to believe that this financial information is not prepared, in all material respects, in accordance with the disclosure provisions of Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970.

Emphasis of matter

Without qualifying our above conclusion, we draw attention to what is stated in Note 5A to the financial information (including by way of reference to what is stated in Note 20C to the annual financial statements) regarding the Government of Israel's resolution dated March 6, 2022 on the strategy for the development and advancement of the Haifa Bay, which includes forming a government team to negotiate with the Company, with the aim of reaching an arrangement to discontinue the activity of petrochemical manufacturing

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of the Group's companies, while maintaining the energy security and regular fuel supply to the Israeli economy; in the opinion of the Company's management, at this stage, it is impossible to evaluate the significance and impact on its activity, business and financial results; as well as to what is stated in Note 5B(1) to the financial information (including by way of reference to Note 20A(4) to the annual financial statements) regarding proceedings against Group companies in connection with environmental laws and regulations; in the opinion of the Company and the consolidated companies' managements, which is based, among other things, on the opinion of their legal counsels, the effect of some of those proceedings on the financial position and operating results, if any, cannot be assessed at this stage; therefore, no provisions were included with regard to this issue in the financial information.

Somekh Chaikin
Certified Public Accountants

Tel Aviv, May 20, 2024

KPMG Somekh Chaikin is a partnership registered in Israel and a member firm of the KPMG global network of independent firms affiliated with KPMG International Limited, a limited liability English company.

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Attn.

The Board of Directors of Bazan Ltd. (hereinafter - the "Company")

Dear Madam/Sir,

Re: Letter of consent in connection with the shelf prospectus of Bazan Ltd. dated January 2022

We hereby inform you that we agree to the inclusion (including by way of reference) of our statements set out below in connection with the shelf prospectus of January 2022.

- (1) Review report of the independent auditor of May 20, 2024 on the Company's condensed consolidated financial information as at March 31, 2024 and for the three-month period then ended.
- (2) Review report of the independent auditor dated May 20, 2024, on the Company's condensed separate financial information as at March 31, 2024 and for the three months then ended in accordance with Regulation 38D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

Respectfully,

Somekh Chaikin
Certified Public Accountants

Tel Aviv, May 20, 2024

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Bazan Ltd. - Condensed Consolidated Interim Statements of Financial Position, in USD thousand

	As at		
	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)		(Audited)
Current assets			
Cash and cash equivalents	773,231	590,880	763,036
Deposits	1,325	4,405	37,673
Trade receivables (see Note 8D)	666,387	561,812	620,119
Other receivables and debit balances	79,354	75,193	120,046
Financial derivatives (see Note 7B)	5,977	11,081	11,026
Inventories	794,358	635,144	768,722
Total current assets	2,320,632	1,878,515	2,320,622
Non-current assets			
Loan to Company for Early Pension Haifa Ltd.	17,341	21,667	21,677
Long term receivables and debit balances	53,896	59,573	53,065
Financial derivatives (see Note 7B)	404	3,447	118
Property, plant and equipment, net	2,056,525	2,056,286	2,070,898
Right-of-use assets, net	156,185	154,810	161,796
Intangible assets and deferred expenses, net	29,205	24,568	29,117
Total non-current assets	2,313,556	2,320,351	2,336,671
Total assets	4,634,188	4,198,866	4,657,293

Moshe Kaplinsky
Chairman of the Board
of Directors

Asaf Almagor
CEO

Guy Liberman
CFO

Approval date of condensed consolidated interim financial statements: May 20, 2024.

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements

This translation of the financial statement is for convenience purposes only.
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Bazan Ltd. - Condensed Consolidated Interim Statements of Financial Position, in USD thousand

	As at		
	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)		(Audited)
Current liabilities			
Loans and borrowings (including current maturities)	292,792	303,655	272,531
Trade payables (see Note 8E)	749,653	468,935	839,167
Other payables and credit balances (see Note 8F)	333,262	212,351	244,020
Financial derivatives (see Note 7B)	37,368	15,044	29,326
Provisions	8,726	9,101	8,768
Total current liabilities	1,421,801	1,009,086	1,393,812
Non-current liabilities			
Liabilities to banks, net	377,220	336,566	339,284
Debentures, net	591,164	642,431	588,490
Other long-term liabilities	115,105	108,279	117,999
Financial derivatives (see Note 7B)	39,910	41,506	45,472
Employee benefits, net	53,830	54,541	53,440
Deferred tax liabilities, net	263,273	273,641	261,580
Total non-current liabilities	1,440,502	1,456,964	1,406,265
Total liabilities	2,862,303	2,466,050	2,800,077
Equity			
Share capital	810,515	807,850	810,515
Share premium	31,087	32,623	31,087
Capital reserves	54,805	76,141	44,983
Retained earnings	875,478	816,202	970,631
Total equity capital	1,771,885	1,732,816	1,857,216
Total liabilities and equity	4,634,188	4,198,866	4,657,293

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements

This translation of the financial statement is for convenience purposes only.
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**Bazan Ltd. - Condensed Consolidated Interim Statements of Income and Other Comprehensive Income,
in USD thousand**

	For the 3-month period ended		For the year ended
	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)		(Audited)
Revenues	2,088,227	2,153,446	8,324,323
Cost of sales	(1,940,670)	(1,843,439)	(7,560,246)
Gross profit	147,557	310,007	764,077
Selling and marketing expenses	(45,320)	(30,761)	(122,565)
General and administrative expenses	(16,052)	(14,085)	(61,088)
Other expenses, net	(5,261)	(1,626)	(7,145)
Operating profit	80,924	263,535	573,279
Finance income	10,121	11,026	33,426
Finance expenses	(30,813)	(29,170)	(116,243)
Finance expenses, net	(20,692)	(18,144)	(82,817)
Net income before income tax	60,232	245,391	490,462
Expenses for income tax	(11,385)	(39,703)	(82,195)
Net income for the period	48,847	205,688	408,267
Net earnings per share (in USD)			
Net basic and diluted earnings per 1 ordinary share	0.016	0.064	0.128
Items of other comprehensive income (loss) transferred to profit and loss:			
Effective share of the change in fair value of cash flow hedges, net of tax	12,252	(17,119)	(25,420)
Other, net	342	(160)	(1,094)
Other comprehensive income (loss) for the period, transferred to profit and loss, net of tax	12,594	(17,279)	(26,514)
Items of other comprehensive income not transferred to profit and loss:			
Remeasurement of defined benefit plan, net of tax	–	–	1,850
Other, net	–	–	661
Other comprehensive income for the period, not transferred to profit and loss, net of tax	–	–	2,511
Total other comprehensive income (loss) for the period, net of tax	12,594	(17,279)	(24,003)
Comprehensive income for the period	61,441	188,409	384,264

**The accompanying notes are an integral part of the Condensed Consolidated
Interim Financial Statements**

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Bazan Ltd. - Condensed Consolidated Interim Statements of Changes in Equity, in USD thousand

	Share capital	Share premium	Capital reserves	Hedge fund reserve	Capital reserves for items of other comprehensive income (loss) Other capital reserves	Retained earnings	Total equity
	For the 3-month period ended March 31, 2024 (unaudited)						
Balance as at January 1, 2024 (audited)	810,515	31,087	7,655	33,424	3,904	970,631	1,857,216
Net income for the period	—	—	—	—	—	48,847	48,847
Other comprehensive income for the period, net of tax	—	—	—	12,410	184	—	12,594
Total comprehensive income for the period	—	—	—	12,410	184	48,847	61,441
Share-based payment	—	—	120	—	—	—	120
Share buyback (see Note 8F)	—	—	(2,892)	—	—	—	(2,892)
Declared dividend (see Note 8F)	—	—	—	—	—	(144,000)	(144,000)
Balance as at March 31, 2024	810,515	31,087	4,883	45,834	4,088	875,478	1,771,885

	Share capital	Share premium	Capital reserves	Hedge fund reserve	Capital reserves for items of other comprehensive income (loss) Other capital reserves	Retained earnings	Total equity
	For the 3-month period ended March 31, 2023 (unaudited)						
Balance as at January 1, 2023 (audited)	807,850	32,623	29,902	59,564	3,617	810,391	1,743,947
Net income for the period	—	—	—	—	—	205,688	205,688
Other comprehensive loss for the period, net of tax	—	—	—	(17,156)	(123)	—	(17,279)
Total comprehensive income (loss) for the period	—	—	—	(17,156)	(123)	205,688	188,409
Share-based payment	—	—	460	—	—	—	460
Expired share options	—	—	(123)	—	—	123	—
Dividend declared and paid	—	—	—	—	—	(200,000)	(200,000)
Balance as at March 31, 2023	807,850	32,623	30,239	42,408	3,494	816,202	1,732,816

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements

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Bazan Ltd. - Condensed Consolidated Interim Statements of Changes in Equity, in USD thousand

	Share capital	Share premium	Capital reserves	Hedge fund reserve	Capital reserves for items of other comprehensive income (loss) Other capital reserves	Retained earnings	Total equity
Year ended December 31, 2023 (audited)							
Balance as at January 1, 2023	807,850	32,623	29,902	59,564	3,617	810,391	1,743,947
Net income for the year	—	—	—	—	—	408,267	408,267
Other comprehensive income (loss) for the year, net of tax	—	—	—	(26,140)	287	1,850	(24,003)
Total comprehensive income (loss) for the year	—	—	—	(26,140)	287	410,117	384,264
Share-based payment	—	—	1,182	—	—	—	1,182
Exercised share options	2,665	(1,536)	(1,129)	—	—	—	—
Expired share options	—	—	(123)	—	—	123	—
Share buyback	—	—	(22,177)	—	—	—	(22,177)
Dividend declared and paid	—	—	—	—	—	(250,000)	(250,000)
Balance as at December 31, 2023	810,515	31,087	7,655	33,424	3,904	970,631	1,857,216

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements

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Bazan Ltd. - Condensed Consolidated Interim Statements of Cash Flows, in USD thousand

	For the 3-month period ended		For the year ended
	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
Cash flows for operating activities			
Net income for the period	48,847	205,688	408,267
Adjustments to cash flows from operating activities:			
Revenue and expenses not involving cash flows (Appendix A – Section A)	99,708	66,273	314,045
	148,555	271,961	722,312
Changes in assets and liabilities (Appendix A - Section B)	(128,180)	(158,326)	(20,060)
Received (paid) income tax, net ⁽¹⁾	(57,377)	525	2,337
Net cash (used in) provided by operating activities	(37,002)	114,160	704,589
Cash flows from investing activities			
Interest received	8,608	5,541	26,721
Change in deposits, net	35,462	31,515	(13,475)
Purchase of property, plant & equipment (including periodic maintenance) ⁽²⁾	(25,211)	(23,805)	(163,356)
Other	(80)	(473)	(3,032)
Net cash provided by (used in) investing activities	18,779	12,778	(153,142)
Cash flow from financing activities			
Change in deposits and short-term borrowing, net	9,173	(19,279)	(12,687)
Interest paid	(36,154)	(38,255)	(110,729)
Derivative transactions, net	(1,929)	(154)	(1,020)
Receipt of long-term loans from banks ⁽³⁾	152,000	–	120,000
Repayment of long-term bank loans, including early repayment ⁽³⁾	(126,562)	(13,877)	(97,190)
Repayment of debentures	(39,626)	(11,718)	(202,991)
Issue of debentures, net of raising costs (see Note 6A)	81,263	–	56,553
Payment of lease liabilities	(4,767)	(3,536)	(19,005)
Share buyback (see Note 8F)	(3,241)	–	(22,890)
Paid dividend (see Note 8F)	–	(200,000)	(250,000)
Net cash (used in) provided by financing activities	30,157	(286,819)	(539,959)
Net increase (decrease) in cash and cash equivalents	11,934	(159,881)	11,488
Effect of exchange rate fluctuations on balance of cash and cash equivalents	(1,739)	(299)	488
Cash and cash equivalents at the beginning of the period	763,036	751,060	751,060
Cash and cash equivalents at the end of the period	773,231	590,880	763,036

(1) During the reporting period, mostly for tax payments in respect of 2022-2023.

(2) In 2023, including a total of approx. USD 40 million in respect of periodic maintenance work which was scheduled to start in October 2023 in the Company's main refining facility and was postponed due to the War. For further details, see Note 11A to the Annual Financial Statements.

(3) During the reporting period, includes repayment of loans of approx. USD 101 million against receipt of new loans. For details, see Note 6A. In 2023, includes repayment of a loan of approx. USD 36 million against receipt of a new loan. For details, see Note 13A3 to the Annual Financial Statements.

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements

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Bazan Ltd. - Condensed Consolidated Interim Statements of Cash Flows, in USD thousand (cont.)

Appendix A - Adjustments Required to Present Cash Flows from Operating Activities

	For the 3-month period ended		For the year ended
	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)		(Audited)
A. Income and expenses not included in cash flows			
Depreciation and amortization	43,614	41,451	172,970
Other expenses, net	5,261	1,626	7,145
Finance expenses, net	21,558	24,563	83,247
Change in the balance of inventory and margins derivatives (see Note 7B)	17,690	(41,457)	(31,882)
Expenses for income tax	11,385	39,703	82,195
Other	200	387	370
	99,708	66,273	314,045
B. Changes in asset- and liability line items			
Change in trade receivables (see Note 8D)	(46,655)	26,889	(30,313)
Change in other receivables and debit balances	45,243	3,485	(35,119)
Change in inventory	(26,091)	115,037	(18,940)
Change in trade payables (see Note 8E)	(89,328)	(278,088)	95,794
Change in other payables, credit balances and provisions	(11,895)	(24,742)	(31,264)
Change in employee benefits, net	546	(907)	(218)
	(128,180)	(158,326)	(20,060)

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements

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NOTE 1 – GENERAL

A. Reporting entity

Bazan Ltd. (hereinafter - the “Company” or “Bazan”) is a company incorporated in Israel, which is located in Haifa Bay and its official address is POB 4, Haifa Bay 3100001, Israel. The Company’s shares are traded on the Tel Aviv Stock Exchange (hereinafter - the “TASE”). The Company and its subsidiaries are industrial companies operating mainly in Israel and the Netherlands and are engaged primarily in the production of petroleum products, feedstock for the petrochemical industry, raw materials for the plastics industry, and byproducts. The facilities of the principal manufacturing subsidiaries (Carmel Olefins and Gadiv) in Israel are integrated with those of the Company. In addition, the Company provides infrastructure services (storage, pumping, and production of petroleum products). The controlling shareholder of the Company is Israel Petrochemical Enterprises Ltd.

- B.** The condensed consolidated interim financial statements as at March 31, 2024 include those of the Company and its subsidiaries (hereinafter, jointly - the “Group”).

NOTE 2 – BASIS OF PREPARATION

A. Statement of compliance with IFRSs

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required in the full annual financial statements. These statements should be read together with the financial statements as at December 31, 2023 and for the year then ended (hereinafter - the “Annual Financial Statements”). Additionally, these statements have been prepared in accordance with the provisions in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The condensed consolidated interim financial statements were approved by the Company’s Board of Directors on May 20, 2024.

B. Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management's judgment when applying the Group’s accounting policy and the principal assumptions underlying assessments that involve uncertainty are consistent with those used in the Annual Financial Statements.

NOTE 3 – MATERIAL ACCOUNTING POLICIES

A. The Group's accounting policy in these condensed consolidated interim financial statements is the same policy applied to the Annual Financial Statements.

B. Accounting standards not yet adopted

IFRS 18, Presentation and Disclosure in Financial Statements

This standard supersedes IAS 1, Presentation of Financial Statements. The purpose of the Standard is to improve the structure and content of the financial statements, especially of the statement of income. The standard includes new disclosure and presentation requirements, in addition to requirements that were brought from IAS 1, Presentation of Financial Statements, with slight wording changes.

As part of the new disclosure requirements, companies will be required to present two interim subtotals in the statement of income: operating profit and profit before financing and income tax. Furthermore, for most companies, the results of the income statement will be classified into three categories: operating income, investing income and finance income.

In addition to the changes in the structure of the statements of income, the standard also includes requirement to provide a separate disclosure in the financial statements regarding the use of management-defined performance measures (hereinafter - "non-GAAP" measures").

In addition, under the amendment, specific guidance was added for the aggregation and disaggregation of items in the financial statements and notes. The standard will encourage companies to avoid classifying items as "other" and such classification will lead to further disclosure requirements.

The standard are applicable to annual periods as from January 1, 2027; earlier application is permitted.

The Group started to assess the implications of the standard and as at the reporting date, it is unable to assess its effect on the financial statements.

NOTE 4 – SEGMENT REPORTING

Further to Note 28 to the Annual Financial Statements, in the reporting period, there was no change in the composition of the Group's reportable segments or in the measurement method of the segments' results by the chief operating decision maker.

NOTE 4 – SEGMENT REPORTING (cont.)

	Refining	Polymers	Total reportable segments For the 3-month period ended March 31, 2024 (unaudited)	Other	Adjustments to consolidated	Consolidated
Revenue from external sources - Israel	1,224,844	75,870	1,300,714	–	–	1,300,714
Revenue from external sources – other countries	668,063	117,257	785,320	2,193	–	787,513
Total revenue from external sources	1,892,907	193,127	2,086,034	2,193	–	2,088,227
Revenue from inter-segment sales - Israel	79,188	294	79,482	8,527	(88,009)	–
Segment income	1,972,095	193,421	2,165,516	10,720	(88,009)	2,088,227
Reported EBITDA	127,211⁽¹⁾	215	127,426	6,599	(4,226)	129,799
Depreciation and amortization	(24,442)	(11,781)	(36,223)	(4,590)	–	(40,813)
Reported EBITDA less depreciation and amortization						88,986
Amortization of excess cost arising on acquisition of consolidated companies						(2,801)
Other expenses, net						(5,261)
Operating profit						80,924
Finance expenses, net						(20,692)
Net income before income tax						60,232

(1) Adjusted EBITDA in the Refining Segment for the three months ended March 31, 2024 - USD 121,087 thousand.

	Refining	Polymers	Total reportable segments For the 3-month period ended March 31, 2023 (unaudited)	Other	Adjustments to consolidated	Consolidated
Revenue from external sources - Israel	1,228,462	58,780	1,287,242	–	–	1,287,242
Revenue from external sources - other countries	692,332	164,621	856,953	9,251	–	866,204
Total revenue from external sources	1,920,794	223,401	2,144,195	9,251	–	2,153,446
Revenue from inter-segment sales - Israel	79,000	330	79,330	2,555	(81,885)	–
Segment income	1,999,794	223,731	2,223,525	11,806	(81,885)	2,153,446
Reported EBITDA	298,584⁽¹⁾	3,726	302,310	6,502	(2,200)	306,612
Depreciation and amortization	(23,567)	(11,654)	(35,221)	(3,372)	–	(38,593)
Reported EBITDA less depreciation and amortization						268,019
Amortization of excess cost arising on acquisition of consolidated companies						(2,858)
Other expenses, net						(1,626)
Operating profit						263,535
Finance expenses, net						(18,144)
Net income before income tax						245,391

(1) Adjusted EBITDA in the Refining Segment for the three months ended March 31, 2023 - USD 279,091 thousand.

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NOTE 4 – SEGMENT REPORTING (cont.)

	Refining	Polymers	Total reportable segments	Other	Adjustments to consolidated	Consolidated
	For the year ended December 31, 2023					
Revenue from external sources - Israel	4,999,915	237,605	5,237,520	–	–	5,237,520
Revenue from external sources - other countries	2,515,117	543,293	3,058,410	28,393	–	3,086,803
Total revenue from external sources	7,515,032	780,898	8,295,930	28,393	–	8,324,323
Revenue from inter-segment sales - Israel	263,911	1,117	265,028	13,278	(278,306)	–
Segment income	7,778,943	782,015	8,560,958	41,671	(278,306)	8,324,323
Reported EBITDA	744,812⁽¹⁾	(16,772)	728,040	24,324	1,030	753,394
Depreciation and amortization	(96,508)	(46,743)	(143,251)	(18,345)	–	(161,596)
Reported EBITDA less depreciation and amortization						591,798
Amortization of excess cost arising on acquisition of consolidated companies						(11,374)
Other expenses, net						(7,145)
Operating profit						573,279
Finance expenses, net						(82,817)
Net income before income tax						490,462

(1) Adjusted EBITDA in the Refining Segment for 2023 - USD 718,463 thousand.

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NOTE 5 – CONTINGENT LIABILITIES, AGREEMENTS, INCLUDING WITH RELATED PARTIES, DEVELOPMENTS AND OTHER EVENTS, GUARANTEES AND LIENS

A. Government resolution

Further to Note 20C to the Annual Financial Statements, there were no significant changes in and subsequent to the reporting period regarding the implementation of the Government Resolution.

On December 11, 2023, the NOP 75 was approved by the Ministerial Committee for Interior Affairs, Services, Planning and Local Government, and on January 16, 2024, its final version was published in the Official Gazette. It should be emphasized that NOP 75 does not specify a date on which the Group's activity is to be discontinued.

The Company has objections to the manner in which the State conducts the negotiations and has even lodged a complaint with the State's official representatives.

As of the approval date of the report, the Company's management is unable to assess the implications of the Government Resolution, its implementation and its derivatives, including its impact on its activities, business, and/or financial results.

The Company's management believes that the decision does not change the assumptions and estimates underlying the Financial Statements, inter alia since the Company's position is that it will be entitled to appropriate indemnification from the state if its rights are infringed.

B. Contingent liabilities

Further to Note 20A to the Annual Financial Statements and except for the following, in and subsequent to the reporting period, there were no significant changes in lawsuits, other contingent liabilities, and administrative procedures of Bazan Group:

1. Liabilities relating to environmental protection

As detailed in Note 20A3 to the Annual Financial Statements, there are legal, administrative and other proceedings against the Group companies, including civil claims and warnings; An indictment was filed against the Company, an officer and a manager regarding alleged deviations from emission values in periodic and spot tests held in 2017; an indictment was filed against Carmel Olefins, an officer and two managers in connection with alleged breaches of the provisions of environmental laws in Carmel Olefins Facilities; an indictment was filed against Gadiv, an officer and other defendants who are not affiliated with the Company in connection with alleged breaches of the provisions of environmental laws during loading of a ship at the chemical terminal. As part of an overall plea bargain that was approved by the Court subsequent to the reporting period, on May 19, 2024 agreements were reached in the three indictments detailed above: In the case against Carmel Olefins - the plaintiff retracted the indictment, and Carmel Olefins and all other defendants were removed therefrom, the indictment was cancelled and converted into an immaterial monetary sanction; in the case against the Company - the indictment was amended, the manager was removed from the indictment, the Company and the officers were convicted under the amended indictment, and under a letter of suspicions in another investigation held against the Company, immaterial penalties were imposed on the Company and the officer, and they were required to undertake not to commit certain offences in the future; in the case against Gadiv - the latter and the officer were convicted under the indictment, an immaterial penalty was imposed on Gadiv, and Gadiv and the officer were required to undertake not to commit certain offences in the future. The plea bargain also included the closing of three further investigations.

In addition, as detailed in Note 20A4 to the Annual Financial Statements, the Group companies operate routinely to comply with applicable environmental laws and regulations. As at the reporting date, in general, the Group companies are in compliance with the emission permits and with other environmental laws, other than deviations for which the Group companies are working with the Ministry of Environmental Protection to adjust the provisions and/or revise the schedules for their implementation.

NOTE 5 – CONTINGENT LIABILITIES, AGREEMENTS, INCLUDING WITH RELATED PARTIES, DEVELOPMENTS AND OTHER EVENTS, GUARANTEES AND LIENS (cont.)

B. Contingent liabilities (cont.)

1. Liabilities relating to environmental protection (cont.)

The Company, Carmel Olefins, and Gadiv received various warnings and summons to hearings from the Ministry of Environmental Protection for alleged violations of the emission permits, poisons permits, the discharge permit into the sea, and personal orders issued to them, including for air quality. The companies submit their responses to the Ministry for any warning and/or summons to a hearing received, as relevant. In addition, the Company, Carmel Olefins and Gadiv are negotiating with the Ministry of Environmental Protection regarding findings of soil surveys and the resulting requirements.

The Ministry of Environmental Protection is investigating a number of issues against the Company, Carmel Olefins and Gadiv, and in some of the investigations, also against managers and employees who served at the dates relevant to the investigation of the companies, including for alleged violations of various environmental protection laws, and including personal ordinances, toxic materials permits and emission permits issued to the companies at the dates on which they were valid, and/or due to malfunctions in their facilities. In addition, from time to time, sanctions and/or fines in immaterial amounts are imposed on the Group companies.

For some of these proceedings, the managements of the Company and its subsidiaries believe, based on the opinion of their legal counsel, that, at this stage, it is impossible to assess their effect, if any, on the Group and its Financial Statements as at March 31, 2024. Provisions were not included in the financial statements for these proceedings, the effect of which cannot be assessed. As for the other proceedings, the Group included provisions in immaterial amounts in its financial statements, which it believes adequately reflect the amounts that will more likely than not be paid.

C. Agreements, including with related parties

Further to Notes 20B and 27 to the Annual Financial Statements, and except for that set out below, there were no significant changes in the agreements of the Bazan Group in the reporting period:

1. Following on Note 20B2 to the Annual Financial Statements, on February 4, 2024, a first notice was sent to the Company on behalf of the Leviathan Reservoir partners that the condensate pumping to Ashdod Refinery Ltd. is expected to commence in March 2024, and as a result, the quantity of condensate supplied to the Company's facilities will be decreased significantly. On March 7, 2024, the pumping of condensate to the company was discontinued. However, subsequent to this date, condensate was pumped to the Company for a few days as per the request of the Leviathan Reservoir partners. The Company is examining the realization of its legal rights in accordance with the provisions of the agreement.

During the reporting period, condensate constituting approx. 1.1% of the total crude oil quantities being refined was pumped to the Company.

2. Further to Note 27B3 to the Annual Financial Statements, in the reporting period, the Company's Board of Directors approved (after approval by the Company's Compensation Committee) a bonus in respect of 2023 to the Company's Chairman of the Board, Mr. Moshe Kaplinsky and the Company's CEO, Mr. Asaf Almagor, totaling approx. NIS 1,050 thousand and approx. NIS 2,100 thousand each, respectively.
3. Further to Note 27B3D of the Annual Financial Statements, during the reporting period, the Company's Board of Directors approved (after approval by the Company's Compensation Committee), and subject to the approval of the Company's General Meeting, the update of the annual variable bonus cap (without changing the other terms of his employment) of the Company's CEO, Mr. Asaf Almagor, such that the cap will stand at NIS 3 million. On April 21, 2024, the Company's General Meeting decided not to approve this update.
4. Following on Note 27B3f to the Annual Financial Statements, on March 13, 2024, the Company's board of directors approved the continuation of the agreement with Mr. Passal until 2024.

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NOTE 5 – CONTINGENT LIABILITIES, AGREEMENTS, INCLUDING WITH RELATED PARTIES, DEVELOPMENTS AND OTHER EVENTS, GUARANTEES AND LIENS (cont.)

D. Guarantees and liens

Further to Note 19 to the Annual Financial Statements, there were no significant changes in the Group's guarantees and liens in and subsequent to the reporting period, other than changes in the ordinary course of business in the amount of open short-term documentary letters of credit to suppliers.

NOTE 6 – BORROWINGS FROM BANKS AND OTHERS AND DEBENTURES

A. Significant events during and subsequent to the reporting period

1. On March 13, 2024, Ma'alot S&P reiterated the rating of the Company and its debentures at 'ilA+' with a stable outlook.
2. During the reporting period, the Company took a new long-term bank loan (hereinafter - the "New Loan") of USD 72 million, at a variable USD interest rate (SOFR plus a margin), some of which was used for full repayment of an existing loan (whose balance as of the repayment date is approx. USD 33 million). The final repayment date of the new loan will be in 2030. The new loan was taken at terms and conditions that are superior to those of the existing loans, while extending the loan's average duration and significantly reducing the interest spread added over the SOFR benchmark. For the new loan, the Company is subject to the same financial covenants as in the syndication agreement (see Section B below).
3. During the reporting period, the Company issued Debentures (Series M) by way of expansion in an amount of approx. USD 81 million (net of issuance costs).
4. In the reporting period, the Company took a new long-term bank loan (hereinafter - the "Second New Loan") of USD 80 million, at a variable USD interest rate (SOFR plus a margin), with a final repayment date in 2032. Further to the second new loan taken, the Company informed Bank Hapoalim (as a key organizer of the syndication agreement) about its wish to make an early repayment of the outstanding loan balance in an amount of USD 68 million, which was taken in accordance with the syndication agreement in 2021, as detailed in Note 13B1 to the Annual Financial Statements; and in accordance with its notice, the Company repaid the loan balance in March 2024. In this context it shall be noted that the second new loan was taken at terms and conditions that are superior to those of the repaid loan, while significantly extending the loan's average duration, while reducing the interest spread added to the SOFR benchmark. For the second new loan, the Company is subject to the same financial covenants as in the syndication agreement (see Section B below).

NOTE 6 – BORROWINGS FROM BANKS AND OTHERS AND DEBENTURES (cont.)**B. Financial covenants - the Company**

Further to Note 13B2 to the Annual Financial Statements, set forth below are the financial covenants, as defined in the said note, applicable to the Company by virtue of the Syndication Agreement, and in connection with its financing agreements with banks (including long-term loans and secured short-term credit facilities), and the amounts and/or actual ratios as of March 31, 2024:

	Required	Required ratio / amount	Actual ratio / amount
Consolidated adjusted equity (in USD million)	≤	750	1,774.8
Consolidated adjusted equity to total consolidated statement of financial position, net	≤	20.0%	45.1%
Net consolidated financial debt to consolidated adjusted EBITDA ratio	≥	5.0	1.0
Consolidated principal and interest coverage ratio	≤	1.1	3.2
Cash flows plus the unused balance of binding credit facilities in the separate statement (in USD million)	≤	75	890.0

As at March 31, 2024, the Company is in compliance with the financial covenants.

Further to Note 14C to the Annual Financial Statements, below are the financial covenants of Debentures (Series E, I, J, L, and M) as defined in the deed of trust, and the actual amounts and/or ratios as at March 31, 2024:

	Required	Required ratio / amount	Actual ratio / amount
Adjusted equity (in USD million) ⁽¹⁾	≤	720	1,947.8
Adjusted equity plus shareholder loans to total consolidated statement of financial position ⁽²⁾	≤	17.5%	49.5% ⁽³⁾
Net debt divided by the average consolidated annual adjusted EBITDA	≥	8	1.0
Consolidated cash and cash equivalents (in USD million)	≤	50	773.3

(1) For Debentures (Series E), adjusted required equity is approx. USD 600 million.

For Debentures (Series I, J and L), adjusted required equity is approx. USD 630 million.

(2) For Debentures (Series E, I, J and L) adjusted equity plus shareholder loans out of consolidated total assets - 15%.

(3) For Debentures (Series M), the actual ratio is 50.4%.

As at March 31, 2024, the Company is in compliance with the financial covenants.

NOTE 7 – FINANCIAL INSTRUMENTS - FAIR VALUE**A. Fair value of financial instruments for disclosure purposes only**

The carrying amounts of certain financial assets and financial liabilities, including cash and cash equivalents, deposits, trade receivables, other receivables and debit balances, long-term receivables and debit balances, financial derivatives, short-term loans and borrowings, trade payables, other payables and credit balances, and other long-term liabilities (other than lease liabilities), are the same as or proximate to their fair value.

The fair value of the remaining financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Balance of adjusted p.v.	As at March 31, 2024		
		Carrying amount	Fair value - Level 1	Fair value - Level 2
Financial liabilities:				
Marketable Debentures (Series I) ⁽¹⁾⁽²⁾	100,817	100,795	99,121	–
Marketable Debentures (Series E, J, L and M) ⁽¹⁾⁽²⁾	686,437	672,308	674,138	–
Bank loans ⁽³⁾	487,537	473,157	–	492,951
	1,274,791	1,246,260	773,259	492,951

	Balance of adjusted p.v.	As at March 31, 2023		
		Carrying amount	Fair value - Level 1	Fair value - Level 2
Financial liabilities:				
Marketable Debentures (Series F and I) ^{(1) (2)}	248,771	248,785	243,231	–
Marketable Debentures (Series E, J, and L) ^{(1) (2)}	638,696	626,554	591,486	–
Bank loans ⁽³⁾	425,668	406,709	–	414,524
	1,313,135	1,282,048	834,717	414,524

	As at December 31, 2023				
	Balance of adjusted p.v.	Carrying amount	Fair value - Level 1	Fair value - Level 2	Discount rate used for determining fair value
Financial liabilities:					
Marketable Debentures (Series I) ^{(1) (2)}	134,423	134,376	134,833	—	
Marketable Debentures (Series E, J, L and M) ^{(1) (2)}	620,008	606,000	609,717	—	
Bank loans ⁽³⁾	462,227	447,251	—	465,576	6.88%-8.05%
	1,216,658	1,187,627	744,550	465,576	

- (1) The carrying amount of the debentures is presented at amortized cost (net of raising costs and premium/discounting) and to the extent relevant after application of fair value hedge accounting.
- (2) The fair value of the marketable debentures is based on the quoted price on the TASE as at the report date.
- (3) The carrying amount is presented net of raising costs and net of adjustments for changes in the loan terms, as detailed in Note 13C3 to the Annual Financial Statements.

For further details about the basis for the fair value measurement of financial liabilities on Level 2, see Note 4 to the Annual Financial Statements.

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NOTE 7 – FINANCIAL INSTRUMENTS - FAIR VALUE (cont.)**B. Fair value hierarchy of financial instruments measured at fair value**

The table below presents an analysis of the financial instruments measured at fair value, on a timing basis, using the valuation method. The different levels were defined in Note 4 to the Annual Financial Statements.

	March 31, 2024	March 31, 2023	December 31, 2023
Financial assets			
Non-derivative			
Investments in stocks at fair value through other comprehensive income (Level 3)	21,383	21,265	21,383
Derivatives used for accounting hedges ^{(1) (2)}			
Cross-currency interest rate swaps and interest rate swaps (Level 2)	2,462	6,319	7,421
Derivatives for polymers margin (Level 3)	1,902	8,154	3,666
Derivatives not used for accounting hedges			
Currency hedging contracts (Level 2)	2,017	55	57
	27,764	35,793	32,527
Financial liabilities			
Derivatives used for accounting hedges ^{(1) (2)}			
Cross-currency interest rate swaps and interest rate swaps (Level 2)	53,504	52,228	55,104
Derivatives for inventory (Level 2)	3,942	–	1,962
Derivatives not used for accounting hedges			
Derivatives for refining margins (Level 2) ⁽³⁾	18,123	725	15,592
Currency hedging contracts (Level 2)	1,709	3,597	2,140
	77,278	56,550	74,798

- (1) The fair value of marketable derivatives for inventory and cash flow exposure for acquisition of inventory (basic) at the end of the inventory availability transaction, classified at Level 1, is presented in the statement of financial position net of the relating calculated amounts.
- (2) In the three-month period ended on March 31, 2024, other comprehensive income amounted to approx. USD 14 million was recognized in a hedge fund for the effective part of the change in the fair value of Brent futures. As at March 31, 2024, the balance of the hedge fund (before tax) amounts to approx. USD 49 million (credit).
- (3) For further details, see Note 8H.

Following are the main assumptions used to measure the fair value of cross-currency swaps (Level 2):

	March 31, 2024	March 31, 2023	December 31, 2023 ⁽¹⁾
NIS interest (used for discounting the NIS component)	2.79% - 3.65%	2.43% - 3.75%	2.45% - 3.86%
USD interest (used for discounting the USD component)	3.85% - 5.30%	3.23% - 5.27%	3.47% - 5.33%
Exchange rate (NIS/USD)	3.681	3.615	3.627

- (1) For details regarding changing the benchmark interest from USD LIBOR to SOFR, due to discontinuation of LIBOR as of June 30, 2023, see Note 29D2 to the Annual Financial Statements.

For further details about the basis for the fair value measurement of financial assets and liabilities, see Note 4 to the Annual Financial Statements.

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NOTE 8 – SIGNIFICANT EVENTS IN AND SUBSEQUENT TO THE REPORTING PERIOD

- A. For further details about the developments in agreements, including with related parties and other contingencies, including in environmental protection, other events, and changes in guarantees, in and subsequent to the reporting period, see Note 5.
- B. In the reporting period, there were no material changes in the Company's assessments as to the effects of the war between Russia and Ukraine on the Group's activity as stated in Note 1C to the Annual Financial Statements.
- C. In the reporting period, there were no material changes in the Company's assessments as to the effects of the Iron Swords War on the Group's activity as stated in Note 1D to the Annual Financial Statements.
- D. Further to Note 6B of the Annual Financial Statements regarding the receivables factoring agreements of the Company and its subsidiaries - Carmel Olefins and Gadiv - as of March 31, 2024, trade debts in an amount of approx. USD 23 million were derecognized in accordance with the provisions of IFRS 9 (as of December 31, 2023, no trade debts of the Group companies were derecognized, and as of March 31, 2023, trade debts in an amount of approx. USD 76 million were derecognized).

Actual factoring amounts are affected, among other things, by the product sales to relevant customers, customer credit days, credit insurance caps, product prices significantly affected by the price of crude oil, as well as the range of working capital factoring sources and management of the Group's liquidity requirements.

Assuming maximum utilization of the factoring agreements as at the report date and given the crude oil price as at the dates of the sales transactions, the potential maximum factoring amount is estimated at approx. USD 340 million.

- E. Further to Note 15A to the Annual Financial Statements, as at March 31, 2024, trade payables with extended credit days amounted to approx. USD 182 million (as at December 31, 2023 - approx. USD 212 million; as at March 31, 2023 - approx. USD 182 million).

The amount of suppliers' credit due to the extension of the credit days depends on the amount of crude oil purchases under the Master Agreements, the credit days to be determined by the Company for each transaction (within the set range of days), and changes in the price of crude oil. Assuming the Company's maximum utilization of the credit days master agreements that are in effect during 2024 and given the crude oil price of approx. USD 87 per barrel (the price of Brent crude oil as at the reporting date), the estimated amount of suppliers' credit under all the Master Agreements is approx. USD 610 million.

F. Dividends and share buyback

1. On March 13, 2024, the Company's Board of Directors approved the distribution of a dividend in the amount of approx. USD 144 million, based on the Company's financial statements as at December 31, 2023, which was paid on April 1, 2024.
 2. Further to Note 21C6 to the Annual Financial Statements, as of March 31, 2024, 15,544,163 ordinary shares of the Company were acquired for a total consideration of approx. USD 5 million.
- G. Further to Note 21B of the Annual Financial Statements, during the reporting period, the Company's Board of Directors approved (after approval by the Company's Compensation Committee), and subject to the approval of the Company's General Meeting - which was given on April 21, 2024, the granting of options to five Company directors. Each director will be entitled to 333,333 annual options (totaling 1,000,000 options over a term of office of 3 years). The options terms and conditions are in accordance with the Company's compensation policy and option plan.

**NOTE 8 – SIGNIFICANT EVENTS IN AND SUBSEQUENT TO THE REPORTING PERIOD
(cont.)**

- H. Further to Note 29D3c to the Annual Financial Statements, during 2023 and during the reporting period, the Company entered into swap transactions aimed at hedging refining margins for 2024 at a volume of approx. 9.5 million barrels and at a level reflecting an average refining margin of approx. USD 11 per barrel for the Company. In addition, as of the report date, the Company deposited approx. USD 20 million in margin calls in respect of future transactions for hedging the refining margins (as of refining margins, the Company deposited a total of approx. USD 15 million; as of March 31, 2023 - an immaterial amount).

Immediately prior to the report approval date, the balance of derivatives for futures hedging the refining margin for the Company constitutes a liability of approx. USD 3 million for futures totaling approx. 5 million barrels and at a level that reflects an average refining margin of approx. USD 11 per barrel (for the period beginning on May 1, 2024). Against these, the Company deposited margin calls amounting to approx. USD 3 million.

- I. Further to Note 18B2A of the Annual Financial Statements, subsequent to the reporting period, all the required conditions for the recognition of the balance of the provision for the early retirement plan for 2023-2025 were met.



Somekh Chaikin
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Attn.
the Shareholders of Bazan Ltd.

Dear Sir/Madam,

Re: Special report by the independent auditors on the separate interim financial information pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We reviewed the separate interim financial information presented in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of Bazan Ltd. (hereinafter - the "Company") as of March 31, 2024 and for the three-month period ended on that date. The separate interim financial information is the responsibility of the Company's management and board of directors. Our responsibility is to express an opinion on the separate interim financial information for this interim period based on our review.

Review scope

We conducted our review in accordance with Israel Accounting Standard No. 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* of the Institute of Certified Public Accountants in Israel. A review of separate interim financial information consists of making inquiries, primarily of people responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially smaller in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the above-mentioned separate interim financial information is not prepared, in all material respects, in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970.



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Emphasis of matter

Without qualifying our above conclusion, we draw attention to in Note 3 to the separate financial information (including by way of reference to Note 5A to the condensed consolidated interim financial statements as of March 31, 2024, and to Note 20C to the Company's 2023 consolidated financial statements) regarding the Government of Israel's resolution dated March 6, 2022 on the strategy for the development and advancement of the Haifa Bay, which includes forming a government team to negotiate with the Company, with the aim of reaching an arrangement to discontinue the activity of petrochemical manufacturing of the Group's companies, while maintaining the energy security and regular fuel supply to the Israeli economy; in the opinion of the Company's management, at this stage, it is impossible to evaluate the significance and impact on its activity, business and financial results; as well as to Note 3 to the separate financial information (including by way of reference to Note 5B(1) to the condensed consolidated interim financial statements as of March 31, 2024 and to Note 20A(4) to the Company's 2023 consolidated financial statements) regarding proceedings against the Company in connection with environmental laws and regulations; in the opinion of the Company's management, which is based, among other things, on the opinion of its legal counsels, the effect of some of those proceedings on the Company's financial position and operating results, if any, cannot be assessed at this stage; therefore, no provisions were included with regard to this issue in the financial information.

Somekh Chaikin
Certified Public Accountants

Tel Aviv, May 20, 2024

Bazan Ltd. - Condensed Data on the Separate Interim Financial Position, in USD thousand

	March 31, 2024 (Unaudited)	As at March 31, 2023	December 31, 2023 (Audited)
Current assets			
Cash and cash equivalents	541,711	434,532	528,695
Deposits	1,264	4,169	37,598
Trade receivables	542,016	440,763	485,676
Other receivables and debit balances	141,494	110,154	186,367
Financial derivatives	5,524	11,081	11,026
Inventories	665,713	497,368	627,098
Total current assets	1,897,722	1,498,067	1,876,460
Non-current assets			
Investments with respect to investees, net	1,068,081	1,150,414	1,092,691
Loan to Company for Early Pension Haifa Ltd.	17,341	21,667	21,677
Long-term receivables and debit balances	22,237	34,820	21,809
Long-term loans to an investee	10,000	10,000	10,000
Financial derivatives	404	3,447	118
Property, plant and equipment, net	1,255,733	1,214,507	1,256,285
Right-of-use assets, net	113,554	113,023	113,995
Intangible assets and deferred expenses, net	21,063	15,527	20,696
Total non-current assets	2,508,413	2,563,405	2,537,271
Total assets	4,406,135	4,061,472	4,413,731

Moshe Kaplinsky
Chairman of the Board
of Directors

Asaf Almagor
CEO

Guy Liberman
CFO

Approval date of condensed separate interim financial information: May 20, 2024.

**The additional information attached to the condensed separate interim financial information
is an integral part thereof**

This translation of the financial statement is for convenience purposes only.
The only binding version of this financial statement is the Hebrew version.

Bazan Ltd. - Condensed Data on the Separate Interim Financial Position, in USD thousand (cont.)

	March 31, 2024 (Unaudited)	As at March 31, 2023	December 31, 2023 (Audited)
Current liabilities			
Loans and borrowings (including current maturities)	277,511	302,779	259,500
Current maturities of long-term loans from an investee	–	100,000	–
Trade payables	716,121	423,543	801,249
Other payables and credit balances	317,998	186,641	221,833
Financial derivatives	37,368	13,299	28,158
Provisions	3,669	3,355	3,630
Total current liabilities	1,352,667	1,029,617	1,314,370
Non-current liabilities			
Liabilities to banks, net	376,885	335,854	338,855
Debentures, net	591,164	642,431	588,490
Other long-term liabilities	78,776	78,783	79,408
Financial derivatives	39,910	41,506	45,472
Employee benefits, net	31,733	33,059	31,987
Deferred tax liabilities, net	163,115	167,406	157,933
Total non-current liabilities	1,281,583	1,299,039	1,242,145
Total liabilities	2,634,250	2,328,656	2,556,515
Equity			
Share capital	810,515	807,850	810,515
Share premium	31,087	32,623	31,087
Capital reserves	54,805	76,141	44,983
Retained earnings	875,478	816,202	970,631
Total equity	1,771,885	1,732,816	1,857,216
Total liabilities and equity	4,406,135	4,061,472	4,413,731

**The additional information attached to the condensed separate interim financial information
is an integral part thereof**

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Bazan Ltd. - Condensed Data on Separate Interim Profit and Loss and Other Comprehensive Income, in USD Thousand

	For the 3-month period ended March 31, 2024 (Unaudited)		For the year ended December 31, 2023 (Audited)
Revenues	1,943,276	1,979,841	7,730,546
Cost of sales	(1,798,261)	(1,683,008)	(6,989,906)
Gross profit	145,015	296,833	740,640
Selling and marketing expenses	(23,500)	(10,079)	(42,417)
General and administrative expenses	(9,178)	(7,805)	(33,290)
Other expenses, net	(2,883)	(222)	(2,595)
Operating profit	109,454	278,727	662,338
Finance income	10,350	8,471	27,443
Finance expenses	(31,462)	(29,789)	(118,053)
Finance expenses, net	(21,112)	(21,318)	(90,610)
Company's share in losses of investees, net of tax	(24,918)	(11,901)	(70,339)
Net income before income tax	63,424	245,508	501,389
Expenses for income tax	(14,577)	(39,820)	(93,122)
Net income for the period	48,847	205,688	408,267
Items of other comprehensive income (loss) transferred to profit and loss:			
Effective share of the change in fair value of cash flow hedges, net of tax	12,265	(12,048)	(9,217)
Other comprehensive income (loss) for investees, net of tax	171	(5,194)	(16,578)
Other, net	158	(37)	(719)
Other comprehensive income (loss) for the period, transferred to profit and loss, net of tax	12,594	(17,279)	(26,514)
Items of other comprehensive income not transferred to profit and loss:			
Remeasurement of defined benefit plan, net of tax	—	—	1,272
Other comprehensive income in respect of investees, net of tax	—	—	1,239
Other comprehensive income for the period, not transferred to profit and loss, net of tax	—	—	2,511
Total other comprehensive income (loss) for the period, net of tax	12,594	(17,279)	(24,003)
Comprehensive income for the period	61,441	188,409	384,264

The additional information attached to the condensed separate interim financial information is an integral part thereof

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Bazan Ltd. - Condensed Data on the Separate Interim Cash Flows, in USD thousand

	For the 3-month period ended		For the year ended
	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)		(Audited)
Cash flows for operating activities			
Net income for the period	48,847	205,688	408,267
Adjustments to cash flows from operating activities:			
Revenue and expenses not involving cash flows (Appendix A – Section A)	103,010	58,042	312,089
	151,857	263,730	720,356
Changes in assets and liabilities items (Appendix A - Section B)	(148,748)	(186,909)	(17,326)
Income tax paid ⁽¹⁾	(55,586)	(161)	(579)
Net cash (used in) provided by operating activities	(52,477)	76,660	702,451
Cash flows from investment activities			
Interest received	8,182	5,473	25,956
Interest received from investees	1,327	1,006	4,288
Change in deposits, net	35,449	31,689	(13,466)
Change in cash from investing activities with investees, net	5,993	22,640	(20,500)
Purchase of property, plant & equipment (including periodic maintenance work) ⁽²⁾	(20,733)	(19,939)	(134,686)
Net cash provided by (used in) investing activities	30,218	40,869	(138,408)
Cash flow from financing activities			
Change in deposits, net	7,428	(19,872)	(25,879)
Interest paid	(36,027)	(38,147)	(110,163)
Interest paid to investees	(1,003)	(1,322)	(9,386)
Derivative transactions, net	(1,929)	(154)	(1,020)
Change in cash from financing activities with investees, net	4,408	6,727	11,341
Repayment of long-term loans from an investee	–	–	(100,000)
Receipt of long-term loans from banks ⁽³⁾	152,000	–	120,000
Repayment of long-term bank loans, including early repayment ⁽³⁾	(126,492)	(13,804)	(96,924)
Repayment of debentures	(39,626)	(11,718)	(202,991)
Issue of debentures, less issuance expenses	81,263	–	56,553
Share buyback	(3,241)	–	(22,890)
Dividend paid	–	(200,000)	(250,000)
Other	(49)	(46)	(184)
Net cash provided by (used in) financing activities	36,732	(278,336)	(631,543)
Net increase (decrease) in cash and cash equivalents	14,473	(160,807)	(67,500)
Effect of exchange rate fluctuations on balance of cash and cash equivalents	(1,457)	(497)	359
Cash and cash equivalents at the beginning of the period	528,695	595,836	595,836
Cash and cash equivalents at the end of the period	541,711	434,532	528,695

(1) During the reporting period, mostly for tax payments in respect of 2022-2023.

(2) In 2023, including a total of approx. USD 40 million in respect of periodic maintenance work which was scheduled to start in October 2023 in the Company's main refining facility and was postponed due to the War.

(3) During the reporting period, includes repayment of loans of approx. USD 101 million against receipt of new loans. For details, see Note 6A to the Consolidated Financial Statements. In 2023, includes repayment of a loan of approx. USD 36 million against receipt of a new loan.

The additional information attached to the condensed separate interim financial information is an integral part thereof

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Bazan Ltd. - Condensed Data on the Separate Interim Cash Flows, in USD thousand (cont.)

Appendix A - Adjustments Required to Present Cash Flows from Operating Activities

	For the 3-month period ended March 31, March 31, 2024 2023 (Unaudited)		For the year ended December 31, 2023 (Audited)
A. Income and expenses not included in cash flows			
Depreciation and amortization	21,375	20,777	84,512
Other expenses, net	2,883	222	2,595
Finance expenses, net	21,481	25,664	89,511
Change in the balance of inventory and margins derivatives	17,629	(40,513)	(27,803)
Share in losses of investees, net of tax	24,918	11,901	70,339
Expenses for income tax	14,577	39,820	93,122
Other	147	171	(187)
	103,010	58,042	312,089
B. Changes in asset- and liability line items			
Change in trade receivables	(56,340)	18,991	(25,922)
Change in other receivables and debit balances	43,518	1,646	(31,968)
Change in inventory	(38,615)	95,277	(34,453)
Change in trade payables	(85,362)	(281,340)	100,467
Change in other payables, credit balances and provisions	(11,695)	(20,622)	(25,031)
Change in employee benefits	(254)	(861)	(419)
	(148,748)	(186,909)	(17,326)

**The additional information attached to the condensed separate interim financial information
is an integral part thereof**

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Additional information

1. General

- A. The condensed separate interim financial information of the Company was prepared in accordance with the provisions of Regulation 38D and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970 regarding the condensed separate interim financial information of the corporation. This information should be read in conjunction with the separate financial information as of December 31, 2023 (hereinafter - the "Annual Financial Statements"), and the condensed consolidated interim financial statements as of March 31, 2024 (hereinafter - the "Consolidated Financial Statements").

B. Definitions:

The Company - Bazan Ltd.

Consolidated companies - companies and partnerships, the financial statements of which are fully consolidated with the financial statements of the Company.

Investees - consolidated companies and partnerships and companies and partnerships in which the Company's investment is stated in the financial statements on the equity basis.

2. Significant Accounting Policies Applied in the Condensed Separate Interim Financial Information

The accounting policies applied in this condensed separate interim financial information are in accordance with the accounting policies detailed in Note 2 to the Annual Financial Statements and in Note 3 to the Consolidated Financial Statements.

3. Contingent liabilities, agreements, including with related parties, developments and other events, guarantees and liens

For details, see Note 5 to the Consolidated Financial Statements.

4. Credit from banks and debentures

For details regarding credit from banking corporations and debentures, including credit rating and financial covenants, see Note 6 to the Consolidated Financial Statements.

5. Dividend and share buyback

For details concerning dividends declared by the Company during the reporting period and share buyback, see Note 8F to the Consolidated Financial Statements.

6. Significant events during and subsequent to the reporting period

For details, see Notes 5, 6 and 8 to the Consolidated Financial Statements.