Ashdod Refinery Ltd.

Financial Statements
As of December 31, 2023

Translation from the Hebrew

Financial Statements as of December 31, 2023

Contents

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ASHDOD REFINERY LTD.

We have audited the accompanying statements of financial position of Ashdod Refinery Ltd. (hereinafter – "the Company") as of December 31, 2023 and 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. These financial statements are the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Auditor's mode of Performance), 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Board of Directors and by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations, changes in equity and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Key audit matters

The key audit matters described hereunder are matters that were communicated or were required to be communicated to the Company's Board of Directors and which, according to our professional judgement, were of most significance in the audit of the financial statements of the current period. These matters include, inter alia, any matter that: (1) Relates, or may relate, to accounts or disclosures that are material to the financial statements; and (2) Involved especially challenging, subjective, or complex auditor judgment. These matters were addressed in the context of our audit and the preparation of our opinion on the financial statements as a whole. Communication of the matters indicated hereunder does not alter our opinion on the financial statements as a whole, and we are not, by communicating the key audit matters below, providing a separate opinion on these matters or on the accounts or disclosures to which they relate.

Measurement of the value of inventory

As described in Note 14 to the financial statements, the Company has recognized inventory in the amount of $ 294 million as at December 31, 2023 after a provision for inventory impairment in the amount of $ 5 million. Inventory is presented at the lower of cost or net realizable value. The net realizable value of inventory is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventory includes all of the costs of purchase, conversion and other costs incurred in bringing the inventory to its current location and condition. Furthermore, in the case of work in progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Why this matter is a key audit matter

We have identified measurement of the value of inventory as a key audit matter in view of the materiality of the balance of inventory in the financial statements and due to the fact that the audit of the measurement of inventory required from us to exercise judgement in the examination of the estimates and assessments that were used by management as part of its estimate of the net realizable value of inventory.

How the key audit matter was addressed in the audit

The following are the main substantive audit procedures we performed for addressing this key audit matter in the framework of our audit:

- We attended the inventory counts that were performed by the Company and tested the existence and completeness of a sample of inventory items.
- We tested accuracy of the value of inventory on the Company's books by receiving inventory purchase invoices throughout the period and preparing an independent calculation of the value of inventory for a sample of items.
- We examined the calculation of the production overheads that were allocated to inventory.
- We compared the selling prices of inventory to the value of inventory as at the date of the statement of financial position in order to examine that the inventory was recorded at the lower of cost or net realizable value.

Somekh Chaikin
Certified Public Accountants (Isr.)

March 21, 2024

Statements of Financial Position as of December 31

$ millions	Note	2023	2022
			** Restated
Current assets			
Cash and cash equivalents	17	225	31
Trade receivables	15	111	106
Other receivables	16	16	48
Derivative instruments	25	9	6
Inventory	14	294	351
Total current assets		655	542
Non-current assets			
Deposit in trust	12	8	8
Long-term other receivables	13	3	3
Deferred tax assets	10	-	7
Right-of-use assets	24	18	24
Fixed assets	11	692	786
Intangible assets and deferred expenses		1	1
Total non-current assets		722	829
Total assets		1,377	1,371

** See Note 28 regarding restatement of the comparative data following a change in the functional currency.

The accompanying notes are an integral part of these financial statements.

Statements of Financial Position as of December 31

$ millions	Note	2023	2022 ** Restated
Current liabilities			
Short-term credit and current maturities	20	22	219
Trade payables	22	486	522
Derivative instruments	25	7	*
Advance payments from Paz	27	-	14
Other payables	23	33	21
Credit from Paz	27	-	92
Current maturities of lease liabilities	24	5	5
Total current liabilities		553	873
Non-current liabilities			
Debentures, net	21	199	-
Long-term lease liabilities	24	14	17
Liability for authorization fees	26	15	15
Employee benefits	19	15	17
Deferred tax liabilities	10	16	-
Total non-current liabilities		259	49
Total liabilities		812	922
Commitments and contingent liabilities	26		
Equity	18		
Share capital		*	*
Share premium		322	286
Retained earnings		186	69
Capital reserve from translation differences		57	94
Total equity		565	449
Total liabilities and equity		1,377	1,371

* Less than $ 1 million.
** See Note 28 regarding restatement of the comparative data following a change in the functional currency.

Ofer Orlitzki	Amit Carmel	Ester Pinsler
Chairman of the Board	CEO	CFO

Date of approval of the financial statements: March 21, 2024

The accompanying notes are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income for the Year Ended December 31

$ millions	Note	2023	2022 ** Restated	2021 ** Restated
Revenues	5	3,774	4,193	2,523
Cost of sales	6	(3,557)	(4,086)	(2,527)
Gross profit (loss)		217	107	(4)
Selling expenses	7	(10)	(9)	(9)
General and administrative expenses	8	(13)	(13)	(9)
Other income, net		*	*	*
Operating profit (loss)		194	85	(22)
Financing income	9	3	*	*
Financing expenses	9	(58)	(22)	(14)
Financing expenses, net		(55)	(22)	(14)
Profit (loss) before taxes on income		139	63	(36)
Tax benefit (expenses)	10	(23)	(11)	6
Profit (loss) for the year		116	52	(30)
Other comprehensive income items not carried to profit and loss				
Foreign currency translation differences		(37)	(54)	14
Re-measurement of a defined benefit program, net of tax		1	3	*
Total comprehensive income (loss) for the year		80	1	(16)
Basic and diluted earnings (loss) per share (in $)	18	9.9	4.7	(2.7)

* Less than $ 1 million.

** See Note 28 regarding restatement of the comparative data following a change in the functional currency.

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Equity

$ millions	Share capital	Share premium	Capital reserve from translation differences	Retained earnings	Total
For the year ended December 31, 2023					
Balance as of January 1, 2023 ** restated	*	286	94	69	449
Issuance of shares ***	*	36	-	-	36
Profit for the year	-	-	-	116	116
Other comprehensive income (loss) for the year	-	-	(37)	1	(36)
Balance as of December 31, 2023	*	322	57	186	565

$ millions	Share capital	Share premium	Capital reserve from translation differences	Retained earnings	Total
For the year ended December 31, 2022					
** restated					
Balance as of January 1, 2022	*	286	148	14	448
Profit for the year	-	-	-	52	52
Other comprehensive income (loss) for the year	-	-	(54)	3	(51)
Balance as of December 31, 2022	*	286	94	69	449

$ millions	Share capital	Share premium	Capital reserve from translation differences	Retained earnings	Total
For the year ended December 31, 2021					
** restated					
Balance as of January 1, 2021	*	286	134	44	464
Loss for the year	-	-	-	(30)	(30)
Other comprehensive income for the year	-	-	14	*	14
Balance as of December 31, 2021	*	286	148	14	448

* Less than $ 1 million.
** See Note 28 regarding restatement of the comparative data following a change in the functional currency.
*** See Note 1.C.1 hereunder.

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows for the Year Ended December 31

$ millions	**2023**	**2022**	**2021**
		**** Restated**	**** Restated**
Cash flows from operating activities			
Profit (loss) for the year	116	52	(30)
Adjustments for:			
Depreciation and amortization	67	67	72
Financing expenses, net	55	22	14
Foreign exchange differences, net	35	33	(8)
Tax expenses (benefit)	23	11	(6)
Capital loss (gain) on de-recognition of fixed assets	*	*	*
	296	185	42
Change in derivatives	*	(7)	(3)
Change in inventory	31	(162)	(35)
Change in trade receivables	(32)	(50)	(29)
Change in other receivables	29	(21)	(7)
Change in trade payables	(29)	29	190
Change in other payables	(1)	(101)	58
Change in employee benefits	(2)	1	*
Current taxes paid	*	*	*
Net cash from (used in) operating activities	292	(126)	216

* Less than $ 1 million.

** See Note 28 regarding restatement of the comparative data following a change in the functional currency.

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows for the Year Ended December 31

$ millions	2023	2022 ** Restated	2021 ** Restated
Cash flows from investing activities			
Interest received	1	*	*
Repayment of long-term loans to employees	*	*	*
Acquisition of fixed assets	(32)	(115)	(47)
Proceeds from sale of fixed assets	*	*	*
Net cash used in investing activities	(31)	(115)	(47)
Cash flows from financing activities			
Receipt (repayment) of credit from Paz, net	(92)	20	(126)
Interest paid to Paz	*	(17)	(11)
Receipt (repayment) of loan and credit from banks, net	(209)	219	-
Issuance of debentures, less issuance expenses	233	-	-
Issuance of shares and options	41	-	-
Payment of principal of lease liabilities	(5)	(4)	(4)
Interest paid	(28)	(5)	(2)
Net cash from (used in) financing activities	(60)	213	(143)
Net increase (decrease) in cash and cash equivalents	201	(28)	26
Cash and cash equivalents as at the beginning of the year	31	39	5
Effect of exchange rate fluctuations on cash and cash equivalents	(7)	20	8
Cash and cash equivalents as at the end of the year	225	31	39
Material non-cash transactions			
Acquisition of fixed assets on credit	6	17	12

* Less than $ 1 million.

** See Note 28 regarding restatement of the comparative data following a change in the functional currency.

The accompanying notes are an integral part of these financial statements.

Note 1 - General

A. The reporting entity

Ashdod Refinery Ltd. (hereinafter – the "Company" or "Ashdod Refinery") is an Israeli-resident company that was incorporated on January 4, 2006 and whose official address is HaNeft Street, North Industrial Zone Ashdod. The Company engages in import of crude oil, refining of crude oil into oil distillates, marketing and sale of such products and production and sale of electricity. Until August 28, 2023 the Company was a wholly owned subsidiary of Paz Oil Company Ltd. (hereinafter – "Paz").

On December 30, 2021 the Company and Paz submitted to the Securities Authority an initial draft of a prospectus for the distribution of the Company's shares as a dividend in kind to the shareholders of Paz (hereinafter – "**the spin-off**"), and registration of the Company's shares on Tel Aviv Stock Exchange Ltd. On August 28, 2023 (hereinafter – "**the spin-off date**") the spin-off process was completed, and on August 30, 2023 the Company's shares were listed for trade on Tel Aviv Stock Exchange Ltd.

B. Definitions

In these financial statements:

1.	Company or Ashdod Refinery	-	Ashdod Refinery Ltd.
2.	Related parties	-	As defined in International Accounting Standard No. 24 (2009), *Related Parties*
3.	Interested parties	-	As defined in paragraph (1) of the definition of interested parties in article 1 of the Securities Law – 1968
4.	Dollar	-	The U.S. dollar

C. Material events during and subsequent to the reporting period

1. Agreement to acquire shares of the Company

On November 9, 2022 the Company, Paz and Shapir Energy Ltd. entered into an agreement, which was amended on June 21, 2023 and assigned to Shapir Energy Ashdod Ltd., a wholly owned subsidiary of Shapir Engineering & Industry Ltd. (hereinafter – "**Shapir**") on August 3, 2023, by which on the date of completing the spin-off the Company will issue and sell shares and options to Shapir as set forth in the agreement.

On August 17, 2023 the prospectus for the spin-off from Paz was issued after receiving the permits and approvals of the Securities Authority and the Tel Aviv stock exchange. According to the agreement, upon completing the spin-off pursuant to the prospectus, on August 28, 2023, Shapir Energy Ltd. was issued shares at the rate of 10% of the issued and paid in capital of the Company after the issuance against an investment of $ 41 million in the Company. Furthermore, the Company's shares were distributed as a dividend in kind to the shareholders of Paz, at the rate of 85.1% of the issued and paid in capital of the Company after the issuance. The rest of the shares, at the rate of 4.9% of the Company's issued and paid in capital, continue to be held by Paz.

In addition, according to the agreement Shapir was issued unlisted options to acquire the remaining shares of the Company held by Paz, or to be allotted shares by the Company, as chosen by Shapir, which will bring Shapir to a holding of 45.1% or 65% of the Company's shares, at the prices indicated in the agreement. It is noted that the options will not be listed for trade.

Note 1 – General (cont'd)

C. Material events during and subsequent to the reporting period (cont'd)

1. Agreement to acquire shares of the Company (cont'd)

The calculation of the holding rates and number of shares in each one of the options will not take into account shares acquired by Shapir not according to the agreement. Furthermore, exercise of the options is subject to law, including the regulations and related instructions of the stock exchange, and to the provisions of the Government Companies Order (Declaring the State's Essential Interests in Ashdod Oil Refinery Ltd.) – 2006 (hereinafter: "the Interests Order"). It is clarified that if after exercising either one of the aforesaid options Shapir holds more than 19.9% of the Company's issued share capital, the exercise will be subject to Shapir having received a permit/approval pursuant to the Interests Order or confirmation in writing from the Government Companies Authority that no such approval is required.

It was also agreed that Shapir will be permitted to exceed a holding rate of 15.9% of the Company's issued capital only by rising to a holding of more than 19.9% of the Company's share capital (a step-up of at least 4%).

It is noted that the Securities Authority had notified the Company of its position that exercising the options that will be granted to Shapir pursuant to the investment agreement, such as to cross the thresholds prescribed in Section 28 of the Companies Law, is subject to a special tender offer to the Company's shareholders or the Company's shareholders' meeting approving an issuance of the Company's shares following exercise of the options on the date of the exercise, as relevant.

The Company's shares began being traded on the stock exchange on August 30, 2023.

2. "Iron Swords" war

On October 7, 2023, the Government of Israel declared the "Iron Swords" war (hereinafter in this section: "the war"), following the attack of the Hamas terrorist organization on the communities surrounding the Gaza strip. The Government also declared a special situation on the Israeli home front, following which many communities were evacuated from the areas surrounding the Gaza strip and from the northern border, and actions were taken to protect the public's safety, including restrictions on work places and the education system.

The war has material economic effects on the Israeli economy, of which not all are known at the date of this report. Among other things, the war has led to a decline in economic activity as a result of businesses being closed, damage to infrastructures, a wide scale mobilization of reserves and so forth. This in addition to fluctuations in the exchange rate and on the stock and debt markets of the Tel Aviv stock exchange and the State of Israel's debt rating being lowered by the international rating agencies.

Nevertheless, according to examinations that were carried out by the Company, as at the date of issuing this report, the war is not expected to have a material effect on the Company's ability to meet its liabilities, on the measurement of assets and liabilities or on asset impairment or critical estimates and judgements.

The effects of the war on the Company's operations:

Import and export logistics activity:

The state of war affects the arrival of ships carrying oil and distillates to Israel's ports and the operational continuity of the refinery. In the first weeks of the war, the unloading of crude oil, which is normally carried out at the Ashkelon port by means of EAPC was disrupted because of the port's activity being stopped following attacks and attempted attacks in the area of Ashkelon. Accordingly the Company acted on a number of levels which included diverting to the Eilat port the crude oil ships that were scheduled to arrive at the Ashkelon port and acquiring available inventories on the local market.

Note 1 – General (cont'd)

C. Material events during and subsequent to the reporting period (cont'd)

2. "Iron Swords" war (cont'd)

In November 2023, the EAPC port resumed operations. The marine buoy of the IEC in Ashdod that is used by the Company to unload and load ships with distillates was active during the entire period. Nevertheless, part of the owners of the ships and cargos refuse to dock at Israeli ports. This trend is gradually weakening over time. The logistics difficulties described above have had an adverse effect on the Company's refining margin.

Demand on the local market:

The state of war affects the kilometrage on the roads of Israel which has an effect on the public's use of oil distillates and on the amount of fuel ordered by the fuel companies pursuant to the agreements with them. In October 2023 there was a decrease of 20-25% in the demand for gasoline and diesel oil and of 50% in the demand for jet fuel. The effect of the decrease in demand on the Company's sales is limited due to the nature of the sale agreements between the Company and its customers. At the beginning of November, the demand for gasoline and diesel oil began to recover, although demand levels are still low compared to the demand before the war. Subsequent to balance sheet date, demand returned to their normal level, other than jet fuel that demand for it continues to be low. Therefore, the Company exports the excess distillates. Exporting the distillates instead of selling them on the local market has a negative effect on the refining margin.

Natural gas and condensate:

When the war began the Ministry of Energy ordered to discontinue the flow of natural gas and condensate from the "Tamar" rig which is relatively close to the shore of Gaza. Accordingly, the Company purchased natural gas from the other gas partnerships with which the Company has agreements and from other sources, so that the reduction in the supply of natural gas did not cause damage to the Company's operations. In view of the Company needing a quantity of natural gas beyond the quantities that were supplied in the shutdown period of Tamar, in October 2023 the Company and the Leviathan partnership signed a spot agreement to acquire additional quantities of natural gas, which will be supplied to the Company, at its request, if the Leviathan partnership has surplus quantities of natural gas. The agreement is in effect for one year and can be terminated at an advance notice of 7 days. The agreement does not include an undertaking to supply and/or purchase any certain quantities.

On November 13, 2023 the Company resumed receiving natural gas from the Tamar reservoir and as from November 14, 2023 resumed receiving condensate from it.

Workforce:

When the war broke out about 50 employees of the refinery constituting about 11% of the Company's workforce were drafted by means of Order 8. Nevertheless, the operational continuity of the refinery was not affected.

Effect on the financial results:

The Iron Swords war has led to a loss of operating profit in the amount of $ 20 million in the fourth quarter of 2023. Furthermore, the Company expects that the effects of the war will lead to a loss of operating profit in the amount of $ 5 million in the first quarter of 2024. The Company is unable to fully and completely assess the future effects of the war on its operations due to, inter alia, the uncertainty regarding the length of the war, its intensity, its effects on the areas in which the Company operates or on its facilities, the steps that will be taken by the Government and various authorities, and the intensity and length of the economic slowdown that will develop as a result.

Note 1 – General (cont'd)

C. Material events during and subsequent to the reporting period (cont'd)

3. The marine buoys of the Israel Electric Company

In January 2021 the Company received a copy of the letter of the Head of the National Marine Environment Protection Division of the Ministry of Environmental Protection, which was addressed to the IEC (Israel Electric Company), by which the Ministry of Environmental Protection does not agree to the IEC continuing to use the 24" pipe (the marine pipe that conveys fuel oil to and from the marine buoy of the IEC) after December 2022. Insofar as the use of that pipe is not approved after that date or alternatively no new pipe is built to replace the existing pipe, the Company will not be able to export the fuel oil surpluses through this infrastructure and in the absence of an alternative this could affect the operational continuity of the refinery. In the opinion of the Company, the fuel oil surpluses of the Company constitute 10% of all the products produced by the refinery. In March 2021 the Company was informed by the IEC that work had commenced to replace the pipe and according to the plan the replacement was expected to end in April 2022. In December 2021 the Company received a letter that was sent by the CEO of the IEC to the Director General of the Ministry of Energy by which the project of moving the 24" pipe has been suspended and he requests his support versus the Ministry of Environmental Protection to continuing to operate the pipe in its present format after December 2022.

In April 2022 the Company received another letter that was sent by the CEO of the IEC to the Director General of the Ministry of Energy by which the IEC is preparing to enter the undertakings needed for planning and constructing the new buoys and is in the process of negotiating an agreement with a contractor and a time schedule for its execution. The letter also states that according to the IEC's assessment the earliest date for completing the project is the end of 2023 and therefore the IEC is requesting the Ministry of Energy's involvement in obtaining the approval of the Ministry of Environmental Protection to continue operating the buoys until the project is completed. In May 2022 the Company received a letter that was sent by the CEO of the IEC to the Director General of the Ministry of Energy, by which there are three alternatives for the process of replacing the buoys: (a) the IEC replacing the buoys subject to a financing arrangement to be approved by the State; (b) selling the buoys to IPC (Israel Ports Company) which will act to replace the buoys and operate them; (c) issuing an international tender for selling the buoys. In June 2022 the Company received another letter of the CEO of the IEC to the Director General of the Ministry of Energy by which the estimated costs of replacing the buoys by the IEC amount to NIS 300 million and the Ministry of Energy is requested to reply by the end of June 2022 to the alternatives that were presented in the letter from May 2022. It is also noted that if no decision is made on the matter until the end of June 2022, and insofar as no financing is found for replacing the buoys, the IEC will not be able to meet the time schedule of replacing the buoys by December 2023. On December 20, 2022 the Company received a copy of a letter of the Director General of the Ministry of Environmental Protection to the CEO of the IEC, by which the Ministry of Environmental Protection recommends permitting operation of the buoy until the end of 2027 subject to certain conditions and mainly the performance of periodic examinations and a maintenance program for the pipe and submitting a plan and milestones for creating an alternative for the existing pipe. IEC received a temporary business license to operate the marine buoys that was extended until December 31, 2023 To the best of the Company's knowledge, the aforesaid license was extended until June 30, 2024 pursuant to the Law for Extension of Periods and Postponement of Deadlines (Provisional Order – Iron Swords) (Regulatory Approvals, Financial Sanctions and Gas Facility Tests) – 2023. In addition, the Company was informed that IEC intends to sell the buoys to another government company, most likely the Israel Ports Company.

Note 1 - General (cont.)

C. Material events during and subsequent to the reporting period (cont.)

4. Military conflict in Europe

On February 24, 2022 Russia invaded Ukraine following a dispute between the two countries. As a result, significant restrictions were imposed on Russia's ability to export energy products. As a result of the aforesaid conflict and sanctions, the price of crude oil has increased significantly following fears from a global supply crisis and reached a record high of almost $ 140 per barrel. In 2023 the price of oil was between $ 70-90 per barrel.

The market structure is in backwardation – a price difference of about $ 3.6 per barrel between a first and second contract in March 2022, which has a negative effect on the financial results of the Company. These effects decreased later on in 2022 and in 2023.

Due to the extreme price of a barrel and backwardation costs, the Company has temporarily reduced the exposure of unhedged inventory to 65 thousand tons. Upon the decrease in the dollar price of a barrel, the Company returned to holding ordinary levels of unhedged inventory of 105 thousand tons.

As from the second quarter of 2022 the backwardation of the market decreased, and product margins have increased to record margins for all the products in general, and diesel oil in particular, which has a positive effect on the Company's financial results. These effects decreased towards the end of the second quarter and in the second half of 2022, but the refining margins stayed significantly higher than average. These effects continued also in 2023.

Since this is an event that is not under the control of the Company, the Company is continuing to regularly monitor the global changes in oil prices and to examine the effects on its business results.

5. The Company's board

On the date of completing the spin-off, the directors on behalf of Paz concluded their term in the Company, and the Company's new directors began their term.

6. Raising credit facility and issuance of debentures

On December 28, 2022, the Company entered in agreements with banking entities for credit facilities in the total amount of NIS 3 billion for one year. On December 28, 2023, the agreements were extended for another year. See also Note 20 hereunder.

On January 26, 2023, the Company issued debentures (Series 2) to institutional investors. The par value was NIS 580 million on the date of issuance. The debentures bear annual interest of 7.5% that is payable in semiannual payments as from October 2023. The principal of the debentures will be paid in 5 equal annual payments in the amount of 10% of the principal for each payment in the years 2024 through 2028, and an additional payment of 50% of the principal in 2029. According to the trust deed of the debentures, on September 14, after the spin-off was completed, the debentures were listed for trade on the Tel Aviv stock exchange, and the annual interest rate was lowered by 0.25%. On December 27, 2023, an expansion of the debentures (Series 2) by a par value of NIS 220 million was completed. As at the date of the statement of financial position, the balance of outstanding debentures (Series 2) is NIS 800 million.

Note 1 - General (cont.)

C. Material events during and subsequent to the reporting period (cont.)

7. Factoring transaction

The Company entered into a framework agreement with banking entities (hereinafter: "the factors") that committed to acquire from the Company liabilities of certain customers up to a maximum amount of NIS 850 million until December 27, 2023. The framework amount is revolving, so that the amount paid by the customer returns to the framework amount. The rights acquired by the factors will be assigned completely, irreversibly, and unconditionally. Each factor may at its own discretion sell and/or assign its rights and/or obligations pursuant to the agreement, by any means, to a list of potential factors specified in the agreement and/or to any other party approved by the Company. On December 28, 2023, the agreement was extended for another year.

In accordance with the guidance of IFRS 9, the Company derecognizes from the statement of financial position the factored customer debts, in accordance with the discount rate agreed between the Company and the factors with respect to each customer. See also Note 20 hereunder.

8. Labor agreement

On December 16, 2021 a collective agreement was signed between the Company and the workers’ council and New General Federation of Labor (hereinafter: "the 2021 agreement") which extends the existing collective agreement until December 31, 2026 without any material change, and includes, inter alia, instructions regarding the rights and employment security of the unionized employees in the years after the spin-off. In addition, the 2021 agreement states that if the spin-off is executed the employees will be paid a bonus in the amount of NIS 20 million proximate to the spin-off date (hereinafter: "the spin-off bonus"). If the spin-off is not executed in 2022, the employees will be paid a bonus of NIS 8.5 million in two portions in 2023 and 2025 (hereinafter: "the special bonus"). If the spin-off is executed after 2022, there will be no double payments, and the special bonus will be offset from the spin-off bonus. Since the spin-off was not executed by the end of 2022, in January 2023 the first portion of the special bonus was paid. In September, after the spin-off date, the payment of the spin-off bonus was completed.

9. Dividend distribution

On February 6, 2024, subsequent to the reporting date, the Company’s board of directors decided to distribute a dividend in the amount of $ 54,869,684 (NIS 200 million) on the basis of the Company’s profits available for distribution as at September 30, 2023, as accrued in the last 8 quarters preceding September 30, 2023. The dividend was paid in NIS on February 22, 2024.

Note 2 - Basis of Preparation

A. Statement of compliance with IFRS

The financial statements were prepared by the Company in accordance with International Financial Reporting Standards (IFRS).

The financial statements have also been prepared in accordance with the Securities Regulations (Annual Financial Statements) - 2010.

The financial statements were approved for publication by the board of directors of the Company on March 21, 2024.

Note 2 - Basis of Preparation (cont.)

B. Functional currency and presentation currency

Until the date of the spin-off, the financial statements were presented in NIS millions which was the functional currency of the Company due to its operation being an integral part of the Paz Group, whose functional currency is NIS.

As from the date of the spin-off, the Company changed its functional currency into the dollar since the dollar is the currency that represents the economic environment of the Company when acting as an independent company in the refining industry. See also Note 28 hereunder.

C. Operating cycle

The Company's operating cycle is one year. As a result, the current assets and liabilities include items designated and expected to be realized within the Company's normal operating cycle period.

D. Basis of measurement

The financial statements were prepared on the basis of historical cost, except for the following assets and liabilities: derivative instruments measured at fair value through profit or loss, inventory measured at the lower of cost and net realizable value, loans, deferred tax assets and liabilities, provisions, liabilities for authorization fees and liabilities in respect of employee benefits.

For additional information pertaining to the measurement of these assets and liabilities, see Note 3, *Significant Accounting Policies*.

E. Capital management – objectives, procedures, and processes

Management policy is to maintain a strong capital base with the goal of preserving the ability of the Company to continue its operations so as to generate a return for its shareholders, benefits to other holders of interests in the Company, such as credit providers and Company employees, and also in order to support its future business development. The Board of Directors also supervises the amounts of dividend distributions to ordinary shareholders. The Company is not subject to capital requirements by virtue of laws or regulations.

F. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS, requires the Company's management to make judgments, assessments, 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.

The preparation of accounting estimates used in the preparation of the Company's financial statements requires that management of the Company makes assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Note 2 - Basis of Preparation (cont.)

F. Use of estimates and judgments (cont.)

Critical estimates

Presented below is information pertaining to critical estimates that were made while implementing accounting policy, which have a material impact on the financial statements:

Impairment of assets – On each reporting date, the Company examines whether events have occurred or whether changes in circumstances have occurred that indicate that a decline in value has occurred in connection with one or more of the non-monetary assets. When indications of a decline in value exist, the Company assesses whether the amount at which the investment is presented is recoverable from the discounted cash flows expected from the asset and, where necessary, it records a provision for decline in value up to the recoverable amount. The discounting of the cash flows is calculated using an after-tax discount rate that reflects the market assessments regarding the time value of money and the specific risks attributed to the asset. Determining the estimates of the cash flows is based on the past experience of the asset or similar assets, and on the best assessment of the Company regarding the economic conditions that will exist over the remainder of the useful life of the asset. Changes in the assessments of the Company may result in significant changes in the carrying amount of the assets and the results of operations.

Inventory measurement – At each reporting date, the Company ascertains whether changes occurred in the net realizable value of the inventory. If the realizable value of the inventory is lower than its cost, a provision for decline in value is recorded in an amount up to the net realizable value. The realizable value of crude oil is determined in accordance with the realizable value of the distillates expected to be produced from the oil, less the expected production costs. The net realizable value of oil distillates is determined on the basis of the selling price of the inventory less estimated selling costs. Regarding inventory in the production process and the finished goods inventory, cost includes the part that is attributed to production overhead, based on normal capacity. Net realizable value is an estimate of the selling price during the normal course of business, less the estimated conversion costs and the estimated costs required to conduct the sale. A change in the estimate of the net realizable value of the inventory may lead to a change in the results of operations.

Assessment of the estimated useful life span of fixed asset items – At least once a year, the Company re-assesses the useful life span of fixed asset items, based on, among other things, the estimates of internal engineers, possessing the relevant know-how and professional experience, which are based on, among other things, the past experience accumulated by the Company. Changes in estimates of the useful life span of fixed asset items may lead to an increase or decrease in depreciation expenses carried to profit and loss and to a change in the results of operations.

Post-employment employee benefits – At each reporting date the Company examines changes in the post-employment defined benefit obligation based on actuarial assumptions such as the discount rate, future salary increases and the future pension increase. For information on the effect of a change in actuarial assumptions, see Note 19 regarding employee benefits.

Assessment of probability of contingent liabilities – At each reporting date the Company examines reversal or creation of a provision for a claim, based on an assessment whether it is more likely than not that an outflow of economic resources will be required in respect of legal claims pending against the Company. For information on the Company's exposure to claims see Note 25.A regarding contingent liabilities.

Note 3 - Material Accounting Policies

A. Foreign currency

(1) Transactions in foreign currency

Transactions in NIS or in a foreign currency other than the dollar are translated to the functional currency of the Company at the exchange rate in effect on the dates of the transactions. Some of the revenues are recognized at an average monthly exchange rate, when the product's supply is spread over the month. Monetary assets and liabilities denominated in NIS or in a foreign currency other than the dollar on the reporting date, are translated to the functional currency using the exchange rate in effect on that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Exchange rate differences deriving from translation to functional currency are carried to profit and loss, with the exchange rate differences from customers and suppliers being presented in revenues and cost of sales, respectively, and the other exchange rate differences being presented in financing expenses. Non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

(2) Index and foreign currency data

The following table presents significant data on Consumer Price Index (CPI) and foreign currency exchange rates:

	Year ended December 31,			As of December 31,		
	2023	2022	2021	2023	2022	2021
	% change			Rate at reporting date		
NIS 1 to dollar	(2.82)	(11.80)	3.54	0.276	0.284	0.322
$ 1 to NIS	3.07	13.15	(3.26)	3.627	3.519	3.110
Current month CPI in points (2006 average basis)	2.96	5.26	2.80	133.30	129.47	123.00
Known CPI in points (2006 average basis)	3.34	5.28	2.40	133.43	129.11	122.64

B. Financial instruments

(1) Non-derivative financial assets

Initial recognition and measurement of financial assets

The Company initially recognizes trade receivables, other receivable and deposits on the date that they are created. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Company to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred.

Note 3 - Material Accounting Policies (cont.)

B. Financial instruments (cont.)

(1) Non-derivative financial assets (cont.)

Derecognition of financial assets (cont.)

When the Company retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

The Company carries out factoring transactions and derecognizes the customer balance on the date of the transaction.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost or fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

All financial assets not classified as measured at amortized cost as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss. On initial recognition, the Company designates financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company has balances of trade receivables that are held within a business model whose objective is collecting contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

Subsequent measurement and gains and losses

<u>Financial assets at amortized cost:</u>

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses.

<u>Financial assets at fair value through profit or loss:</u>

These assets are subsequently measured at fair value. Net gains and losses are recognized in profit or loss.

(2) Non-derivative financial liabilities

Non-derivative financial liabilities include: trade payables, other payables, a lease liability and a liability for authorization fees, loans and credit from banking and non-banking entities.

Initial recognition of financial liabilities

The Company initially recognizes debt instruments issued on the date that they originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement of financial liabilities

Financial liabilities (except for financial liabilities designated for fair value through profit and loss) are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Note 3 - Material Accounting Policies (cont.)

B. Financial instruments (cont.)

(2) Non-derivative financial liabilities (cont.)

Subsequent measurement of financial liabilities (cont.)

Transaction costs directly attributable to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset in the framework of deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon its initial recognition, or are amortized as financing expenses in the statement of income when the issuance is no longer expected to occur.

De-recognition of financial liabilities

Financial liabilities are de-recognized when the obligation of the Company, as specified in the agreement, expires or when it is discharged or cancelled.

(3) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its exposure to currency risks and oil price fluctuation risks and refining margin risks. Furthermore, the Company issued options to purchase shares of the Company, which are derivatives that do not serve hedging purposes.

Measurement of derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

Economic hedges

Hedge accounting is not applied to derivative instruments that are economic hedges. Changes in the fair value of derivatives on the prices of oil and refining margins are classified to cost of sales and revenues.

Derivatives that do not serve hedging purposes

The changes in fair value of derivatives that do not serve hedging purposes are recognized in profit or loss as revenues or financing expenses. The Company also applies this accounting treatment to changes in the fair value of options that do not have a fixed exercise price.

C. Fixed assets

(1) Recognition and measurement

Fixed asset items are measured at cost, net of accumulated depreciation and net of accumulated impairment losses. The cost of fixed assets includes expenses that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor and any other cost that can be directly attributed to bringing the asset to the location and condition necessary for it to operate in the manner intended by management.

When major parts of fixed assets (including the costs of major periodic inspections) have different useful lives, they are accounted for as separate items (major components) of fixed assets.

A gain or loss on the disposal of a fixed asset item is determined by comparing the net consideration from disposal of the asset to its carrying amount and is recognized in a net amount as part of other income or other expenses, as relevant, in the statement of profit or loss.

Note 3 - Material Accounting Policies (cont.)

C. Fixed assets (cont.)

(1) Recognition and measurement (cont.)

Spare parts, servicing equipment and stand-by equipment are to be classified as fixed assets when they meet the definition of fixed assets in IAS 16.

(2) Subsequent costs

The cost of replacing part of a fixed asset item is recognized as part of the carrying amount of such asset if it is expected that the future economic benefit inherent in the item shall flow to the Company and that its cost can be reliably measured. The carrying amount of the replaced part is derecognized. Current maintenance costs are expensed as incurred.

(3) Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life.

An asset is depreciated from the date it is ready for use, i.e., the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item. Freehold land is not depreciated.

The estimated useful lives of the assets for the current period and the comparative periods are as follows:

	Years
Buildings	15-50
Refining and cracking facilities	25-70
Tanks	30-70
Power plant	25-33
Other equipment	5-20 (mainly 15)
Computers	5-7
Equipment and furniture	16-20
Motor vehicles	5-8

The estimates pertaining to the method of depreciation, useful life and residual value are reassessed in each reporting year and are adjusted when necessary.

In order to ensure proper and ongoing functionality of the facilities, the Company carries out regular turnaround at the facilities once every 5 years approximately. Costs actually expended in respect of the periodic maintenance of the facilities including related direct costs are capitalized and depreciated over the period until the next planned maintenance.

D. Inventory

Inventory is presented at the lower of cost or net realizable value.

Cost is determined as follows:

Raw materials, intermediate goods and finished goods – on the first-in-first-out basis (FIFO). The cost of the inventory includes all of the costs of purchase, conversion and other costs incurred in bringing the inventory to its current location and condition.

Note 3 - Material Accounting Policies (cont.)

D. Inventory (cont.)

In the case of inventory of work in progress and inventory of manufactured goods, cost includes an appropriate share of production overheads, based on normal capacity. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of conducting the sale.

Net realizable value of the crude oil inventory was determined on the basis of selling prices less expected selling expenses of the distillates in accordance with the expected production mix in the following month. The net realizable value of distillates is based on their selling prices, less expected selling expenses.

E. Impairment

Non-financial assets

Timing of impairment testing

The carrying amounts of the Company's non-financial assets that are not inventory and deferred tax assets, is tested at every reporting date in order to determine whether there are indications of a decline in value. If such indications exist, the estimated recoverable amount of the asset is calculated.

Measurement of recoverable amount

The recoverable amount of an asset is the higher of its value in use and its net selling price (fair value, less selling expenses). In determining value in use, the Company discounts the forecasted future cash flows using an after-tax discount rate that reflects the market's estimate regarding the time value of money and the specific risks attributed to the asset, for which the estimated future cash flows from the asset were not adjusted.

Recognition of impairment losses

Impairment losses are recognized when the carrying amount of the asset exceeds the recoverable amount, and are carried to profit or loss.

Reversal of impairment losses

Impairment losses recognized in previous periods are retested at each reporting date in order to determine whether there are indications that the losses decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, only in the event that the carrying amount of the asset, after reversal of the impairment loss, does not exceed the carrying amount less depreciation or amortization, that would have been determined had the impairment loss not been recognized.

F. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

According to the Company's declared policy regarding environmental preservation and in accordance with the requirements of the law, the permits, licenses and directives of the Ministry for Environmental Protection, a provision is recognized for the management of the Company’s environmental quality framework while preventing pollution from the facilities of the Company and protecting the environment as best as possible.

A provision for claims is recognized if, as a result of a past event, the Company has a present legal or constructive obligation and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably.

Note 3 - Material Accounting Policies (cont.)

G. Employee benefits

The Company has several post-employment benefit plans. The plans are usually financed by deposits with insurance companies or funds managed by a trustee, and they are classified as defined contribution plans and as defined benefit plans.

(1) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. The commitments of the Company to deposit in a defined contribution plan are expensed during the periods in which the employees rendered the related services.

(2) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net commitment of the Company relating to a defined benefit plan in respect of post-employment benefits is calculated in respect of each plan separately by estimating the future amount of the benefit that will reach the employee in consideration of his services, in the current period and in prior periods. This benefit is presented at its present value, net of the fair value of the assets of the plan. The Company determines the net interest on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). The discount rate is determined in accordance with the yield at the reporting date of high-quality linked corporate debentures, the currency of which is the shekel and the repayment date of which is similar to the terms of the commitment of the Company. The calculations are made annually by a qualified actuary, in accordance with the projected unit credit method.

When, as a result of the calculations, an asset is generated for the Company, an asset is recognized up to the net amount of the present value of economic benefits available in the form of a refund from the plan or a reduction in the future deposits to the plan. An economic benefit in the form of a refund or reduction in future deposits will be considered to be available when it can be realized during the life span of the plan or after the liability is settled. This calculation will take into consideration any minimum funding requirements that are relevant to the plan.

When the benefits of a plan are improved or curtailed, the portion of the increased benefit relating to past service by employees or the gain or loss on curtailment are recognized immediately in profit or loss when the plan improvement or curtailment occurs.

Re-measurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). Re-measurements are recognized immediately directly in retained earnings through other comprehensive income. Interest costs on a defined benefit obligation and interest income on plan assets that were recognized in profit or loss are presented under financing income and expenses, respectively.

The Company offsets an asset relating to one benefit plan from the liability relating to another benefit plan only when there is a legally enforceable right to use the surplus of one plan to settle the obligation in respect of the other plan, and there is intent to settle the obligation on a net basis or to simultaneously realize the surplus of one plan and settle the obligation in the other plan.

(3) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave). A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Note 3 - Material Accounting Policies (cont.)

G. Employee benefits (cont.)

(3) Short-term benefits (cont.)

The employee benefits are classified for measurement purposes as short-term benefits or as other long-term benefits according to the forecast of the Company to fully settle the benefits.

(4) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than post-employment benefit plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate of the obligation is determined according to the yield at the reporting date on high quality shekel-denominated corporate debentures, that have maturity dates approximating the terms of the Group’s obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognized directly in profit or loss in the period in which they arise.

H. Revenues

The Company recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Company expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

Sales of the Company's products in Israel are usually recognized when the goods are taken from the premises of the plant, or alternatively according to the agreement with the customers.

In the case of goods not yet taken, the Company recognizes revenues when all the following criteria have been met:

- The arrangement was requested by the customer.
- The product is distinctly identifiable as belonging to the customer.
- The product is available for being physically transferred to the customer.
- The Company is unable to use the goods or direct them to a different customer.

Sales outside of Israel are mainly recognized when the goods are loaded onto the carrier's means of transportation, according to the commercial terms of the transaction.

I. Environmental costs

Current costs incurred in the operation and maintenance of facilities for the prevention of environmental pollution and expected provisions for costs relating to rehabilitation of the environment, deriving from current or past operations are carried to the statement of profit or loss. Costs incurred in the construction of facilities for the prevention of environmental pollution, which increase the life span or efficiency of the facility or reduce or prevent pollution of the environment, are carried to the cost of the fixed assets and are depreciated in accordance with the depreciation policy applied by the Company.

J. Financing income and expenses

Financing income includes interest income in respect of amounts invested and changes in the fair value of financial assets presented at fair value through profit or loss. Interest income is recognized as it accrues, using the effective interest method.

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

Note 3 - Material Accounting Policies (cont.)

J. Financing income and expenses (cont.)

Financing expenses include interest expenses on loans received, interest on factoring transactions, changes in time value of provisions, changes in fair value of financial assets and financial liabilities presented at fair value through profit or loss. Borrowing costs are carried to the statement of profit or loss using the effective interest method.

The item also includes income and expenses from exchange rate differences, other than exchange rate differences in respect of suppliers and customers that are presented in cost of sales and revenues, respectively.

In the statements of cash flows, interest received is presented as part of cash flows from investing activities, and interest and dividends paid are presented as part of cash flows from financing activities. Interest paid in respect of factoring transactions is presented within trade receivables.

K. Income tax

Income taxes include current and deferred taxes. Current and deferred taxes are carried to the statement of profit or loss or directly to equity or to other comprehensive income to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current taxes

The current tax is the amount of tax expected to be paid on taxable income during the tax year, using tax rates enacted or substantively enacted at the reporting date. It also includes changes in tax payments relating to prior years.

Deferred taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxes are measured on the basis of the tax rate expected to apply to the temporary differences when they are realized, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized in the accounting records in respect of tax loss carryforwards, tax benefits and temporary differences that are deductible, when it is expected that in the future, the Company will have taxable income or taxable temporary differences against which the deferred tax asset can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

L. Leases

(1) Determining whether an arrangement contains a lease

On the inception date of the lease, the Company determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(2) Leased assets and lease liabilities

Contracts that award the Company control over the use of a leased asset for a period in exchange for consideration, are accounted for as leases. Upon initial recognition, the Company recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease.

Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model, and depreciated over the shorter of the lease term or useful life of the asset.

Note 3 - Material Accounting Policies (cont.)

L. Leases (cont.)

(3) The lease term

The lease term is the non-cancellable period of the lease.

(4) Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset.

(5) Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

The estimated useful lives for the current period and the comparative periods are as follows:

	Years
Motor vehicles	3-5
Tanks	5-10

(6) Lease modifications

When a lease modification increases the scope of the lease by adding a right to use one or more underlying assets, and the consideration for the lease increased by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the contract's circumstances, the Company accounts for the modification as a separate lease.

In all other cases, on the initial date of the lease modification, the Company allocates the consideration in the modified contract to the contract components, determines the revised lease term and measures the lease liability by discounting the revised lease payments using a revised discount rate.

For lease modifications that decrease the scope of the lease, the Company recognizes a decrease in the carrying amount of the right-of-use asset in order to reflect the partial or full cancellation of the lease, and recognizes in profit or loss a profit (or loss) that equals the difference between the decrease in the right-of-use asset and re-measurement of the lease liability.

For other lease modifications, the Company re-measures the lease liability against the right-of-use asset.

M. Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for an issuance of rights.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Note 3 - Material Accounting Policies (cont.)

N. Initial application of new standards and standards not yet adopted

(1) Amendment to IAS 1, *Presentation of Financial Statements: "Disclosure of Accounting Policies."*

According to the amendment companies must provide disclosure of their material accounting policies rather than their significant accounting policies. Pursuant to the amendment, accounting policy information is material if, when considered with other information disclosed in the financial statements, it can be reasonably be expected to influence decisions that the users of the financial statements make on the basis of those financial statements.

The amendment to IAS 1 also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment also clarifies that immaterial accounting policy information need not be disclosed.

The amendment is initially applied in the annual financial statements for 2023.

As a result of applying the Amendment, the extent of the accounting policy disclosure provided in the financial statements for 2023 was reduced compared to prior period and adjusted according to the Company's specific circumstances.

(2) Amendment to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Amendment narrows the scope of the exemption from recognizing deferred taxes as a result of temporary differences created at the initial recognition of assets and liabilities, so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset or a deferred tax liability for these temporary differences at the initial recognition of transactions that give rise to equal and offsetting temporary differences, such as lease transactions and provisions for decommissioning and restoration.

The Amendment is effective for annual periods beginning on or after January 1, 2023. For deferred taxes arising from leases and decommissioning and restoration liabilities, the Amendment is applied by amending the opening balance of retained earnings for the earliest comparative data presented or by adjusting a different equity item in the period in which the Amendment was adopted as aforesaid.

Application of the Amendment did not have a material effect on the financial statements.

Note 4 - Determination of Fair Value

As part of accounting policy and disclosure requirements, the Company is required to determine the fair value of financial and non-financial assets and liabilities. Fair value is determined for measurement and/or disclosure purposes on the basis of the methods described below. Additional information regarding the assumptions used in determining fair value is provided in the notes that deal with the specific asset or liability.

Derivatives

The fair value of forward contracts on foreign currency is based on their listed market price when available. In the absence of such market price, fair value is estimated on the basis of discounting the difference between the forward price denominated in the contract and the current forward price in respect of the balance of the period to maturity, using an appropriate interest rate.

The fair value of derivative financial instruments on the prices of commodities (crude oil) is based on their market prices as publicized in the London commodities market.

For additional information regarding the fair value hierarchy, see Note 25.F.

Note 5 - Revenues

A. Composition:

$ millions	Year Ended December 31, 2023	2022	2021
Local market	2,944	3,449	1,867
Export	761	678	600
Electricity and others	69	66	56
Total	3,774	4,193	2,523

Revenues from main customers:

$ millions	2023	2022	2021
Customer A	2,067	2,478	1,331
Customer B	437	571	319

B. Composition of revenues according to substance:

$ millions	Year Ended December 31, 2023	2022	2021
Gasoline	1,320	1,426	962
ULSD (Diesel oil)	1,278	1,518	827
Jet fuel (Kerosene)	460	529	191
Fuel Oil	238	247	124
Others	478	473	419
Total	3,774	4,193	2,523

Note 6 - Cost of Sales

	Year Ended December 31,		
$ millions	**2023**	**2022**	**2021**
Materials consumed	3,302	3,853	2,303
Salaries and related expenses	46	41	38
Maintenance and infrastructure	55	* 47	* 49
Depreciation and amortization	67	67	71
Electricity, water and gas services to power plants	65	* 57	* 49
Taxes and levies	13	13	9
Insurance	7	6	6
Others	2	2	2
Total	3,557	4,086	2,527

* Reclassified

Note 7 - Selling Expenses

	Year Ended December 31,		
$ millions	**2023**	**2022**	**2021**
Export expenses	9	8	8
Transportation	1	1	1
	10	9	9

Note 8 - General and Administrative Expenses

	Year Ended December 31,		
$ millions	**2023**	**2022**	**2021**
Management expenses *	1	2	2
Professional and computer services	4	4	2
Salaries	7	6	4
Other	1	1	1
	13	13	9

* In accordance with the service purchase agreement with Paz, including the employment cost of the CEO – see Note 26.B.2.

Note 9 - Financing Expenses

	Year Ended December 31,		
$ millions	**2023**	**2022**	**2021**
Financing expenses			
Interest expenses on debentures	11	-	-
Interest expenses to Paz	*	17	11
Interest expenses on lease liability	1	1	1
Interest expense on loans from banks	20	1	*
Other interest expenses and commissions	18	3	2
Net loss from change in exchange rates	8	-	-
	58	22	14
Financing income			
Interest income	2	*	*
Other financing income	1	*	*
	3	*	*

* Less than $ 1 million.

Note 10 - Income Tax

A. Details regarding the tax environment of the Company

(1) Corporate tax rates

(a) The tax rate relevant to the Company in the years 2021-2023 is 16%.

Current taxes for the reported periods are calculated according to the tax rates presented above.

(2) Benefits under the Law for the Encouragement of Industry (Taxes)

The Company qualifies as an “Industrial Company” as defined in the Law for the Encouragement of Industry (Taxes) – 1969 and accordingly it is entitled to benefits of which the most significant is higher rates of depreciation.

(3) Amendment to the Law for the Encouragement of Capital Investments - 1959

The Company made a strategic decision whereby Paz Refinery undertook to export at least 25% of its revenues commencing from 2013. As a result, Ashdod Refinery will be in compliance with the conditions set out in the Law for the Encouragement of Capital Investments – 1959 and on the basis of its status as a preferred enterprise, will be entitled to a reduced tax rate of 16% from 2014 and thereafter (see below).

Note 10 - Income Tax (cont.)

A. Details regarding the tax environment of the Company (cont.)

(3) Amendment to the Law for the Encouragement of Capital Investments - 1959 (cont.)

On December 29, 2010 the Knesset approved the Economic Policy Law for 2011-2012, which includes an amendment to the Law for the Encouragement of Capital Investments – 1959 (hereinafter –the "Amendment"). The Amendment is effective from January 1, 2011 and its provisions apply to preferred income derived or accrued in 2011 and thereafter by a preferred company, per the definition of these terms in the Amendment.

The Amendment provides that only companies in Development Area A will be entitled to the grants track and that they will be entitled to receive benefits under this track and under the tax benefits track at the same time. In addition, the existing tax benefit tracks were eliminated (the tax exempt track, the "Ireland" track and the "Strategic" track) and two new tax tracks were introduced in their place, a preferred enterprise and a special preferred enterprise, which mainly provide a uniform and reduced tax rate for all the company's income entitled to benefits. On August 5, 2013 the Knesset passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) – 2013, which raised the tax rates on preferred income as from the 2014 tax year as follows: 9% for Development Area A and 16% for the rest of the country.

The Amendment also provides that no tax will apply to a dividend distributed out of preferred income to a shareholder that is an Israeli resident company. A tax rate of 20% shall apply to a dividend distributed out of preferred income to an individual shareholder or foreign resident, subject to double taxation prevention treaties.

In the opinion of the Company, in the future it will meet the requirement of exporting at least 25% of its sales.

B. Composition of income tax expenses

	Year Ended December 31,		
$ millions	**2023**	**2022**	**2021**
Deferred tax income (expenses)			
Creation and reversal of temporary differences	(23)	(11)	6

Note 10 - Income Tax (cont.)

C. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense:

	Year Ended December 31,		
$ millions	**2023**	**2022**	**2021**
Profit (loss) before taxes on income	139	63	(36)
Primary tax rate of the Company	16%	16%	16%
Tax calculated according to primary tax rate	22	10	(6)
Non-deductible expenses	1	1	*
Tax expenses (income)	23	11	(6)

* Less than $ 1 million.

For information regarding the primary tax rate applicable to the Company, see section A (3) in this note.

Note 10 - Income Tax (cont.)

D. Deferred taxes

Composition:

$ millions	Liabilities in respect of employee benefits	Accumulated loss for tax purposes and derivatives	Fixed and other assets	Right-of-use assets	Lease liabilities	Other**	Total
Balance as of January 1, 2021	3	68	(102)	-	-	45	14
Changes carried to statement of profit or loss	*	7	5	-	-	(6)	6
Changes carried to other comprehensive income	*	3	(3)	-	-	*	*
Balance as of December 31, 2021	**3**	**78**	**(100)**	**-**	**-**	**39**	**20**
Changes carried to statement of profit or loss	*	(2)	(3)	-	-	(6)	(11)
Changes carried to other comprehensive income	(1)	(8)	11	-	-	(4)	(2)
Balance as of December 31, 2022	**2**	**68**	**(92)**	**-**	**-**	**29**	**7**
Adjustment of opening balance as of January 1, 2023***	-	-	-	(4)	4	-	-
Changes carried to statement of profit or loss	*	(22)	5	1	(1)	(6)	(23)
Changes carried to other comprehensive income	*	(2)	3	*	*	(1)	*
Balance as of December 31, 2023	**2**	**44**	**(84)**	**(3)**	**3**	**22**	**(16)**

* Less than $ 1 million.

** Includes mainly a deferred tax asset in respect of the tax assessment agreement for 2015-2018 in the amount of $ 2 million and $ 7 million as at December 31, 2023 and 2022, respectively, and a deferred tax asset in respect of goodwill in the amount of $ 20 million and $ 22 million as at December 31, 2023 and 2022, respectively.

*** In accordance with an amendment to IAS 12, see Note 3.N.2 above.

E. Tax loss carryforwards

As at December 31, 2023 the Company has a current business loss in the total amount of $ 286 million according to a tax assessment agreement for 2015-2018 that was signed in December 2020, (as at December 31, 2022, in an amount of $ 404 million). The Company recognized a deferred tax asset in respect of these losses.

F. Tax assessments

The Company has tax assessments considered final up to and including 2018.

Note 11 - Fixed Assets

$ millions	Land and buildings**	Plants and equipment	Computers, office furniture and equipment	Motor vehicles	Construction work in progress and spare parts	Total
Cost/deemed cost:						
Balance as of January 1, 2023	103	1,424	25	1	123	1,676
Additions	*	14	1	*	7	22
Disposals	-	-	-	*	-	*
Construction work in progress that ended	-	46	-	-	(46)	-
Translation reserve	(7)	(107)	(2)	*	(7)	(123)
Balance as of December 31, 2023	96	1,377	24	1	77	1,575
Accumulated depreciation						
Balance as of January 1, 2023	17	828	22	*	23	890
Additions	*	55	1	1	3	60
Disposals	-	-	-	*	-	*
Translation reserve	(1)	(62)	(2)	*	(2)	(67)
Balance as of December 31, 2023	16	821	21	1	24	883
Carrying amount as of December 31, 2023	80	556	3	*	53	692

* Less than $ 1 million.

** The Company holds the rights to register as the owners of the property in Ashdod on which the refinery is located.

*** For additional information regarding the rights of the Company to land and buildings, see Note 26.B.(4) below.

Note 11 - Fixed Assets (cont.)

$ millions	Land and buildings**	Plants and equipment	Computers, office furniture and equipment	Motor vehicles	Construction work in progress and spare parts	Total
Cost/deemed cost:						
Balance as of January 1, 2022	114	1,514	26	1	111	1,766
Additions	1	83	1	-	35	120
Disposals	-	-	-	*	-	*
Construction work in progress that ended	-	8	1	-	(9)	-
Translation reserve	(12)	(181)	(3)	*	(14)	(210)
Balance as of December 31, 2022	103	1,424	25	1	123	1,676
Accumulated depreciation						
Balance as of January 1, 2022	19	878	23	*	23	943
Additions	1	55	1	*	2	59
Disposals	-	-	-	*	-	*
Translation reserve	(3)	(105)	(2)	*	(2)	(112)
Balance as of December 31, 2022	17	828	22	*	23	890
Carrying amount as of December 31, 2022	86	596	3	1	100	786

* Less than $ 1 million.

** The Company holds the rights to register as the owners of the property in Ashdod on which the refinery is located.

*** For additional information regarding the rights of the Company to land and buildings, see Note 26.B.(4) below.

Note 12 - Deposit in Trust

In 2009 a series of collective agreements was signed in which it was decided to liquidate Ashdod Early Pension Company Ltd. (hereinafter: "AEP" – a special company that was founded as part of the 2006 early retirement agreement and its purpose was to hold money intended to guarantee the retirement rights of employees who transferred from ORL to the Company), to annul a loan agreement between the Company and AEP and to replace the guarantee for the pension money held by AEP with a trust at Adad Trust Company Ltd. On the date of signing the agreement an amount of NIS 64 million was deposited in a trust.

According to the agreement the deposit's original expiry date was on January 24, 2018 and on that date a recalculation was made of the amount that should be deposited in trust and the amount that should be returned to the Company. The new calculation was approved and signed by the Company, the employees' committee and the New General Federation of Workers and was transferred to the trustee. According to the trust agreement, the trustee closed the new amount of the guarantee in a deposit.

As at the date of the statement of financial position, the balance of the deposit amounted to $ 8 million.

Note 13 - Long-Term Other Receivables

	December 31,	
$ millions	**2023**	**2022**
Tax assets	1	1
Fund for sick pay	2	1
Loans to employees (1)	*	1
Less – current maturities	*	*
	3	3

(1) The loans are unlinked and bear interest at the rate of the Accountant General.

* Less than $ 1 million.

Note 14 - Inventory

	December 31,	
$ millions	**2023**	**2022**
Finished goods	127	181
Raw materials and intermediate products	167	170
	294	351

The balance of the inventory as of December 31, 2023 includes a provision for impairment in the amount of $ 5 million.

The balance of the inventory as of December 31, 2022 includes a provision for impairment in the amount of $ 6 million.

Note 15 - Trade Receivables

$ millions	December 31, 2023	December 31, 2022
Local market customers (1)	110	81
Other customers	1	25
	111	106
(1) Of which customers constituting related parties	-	*

* Less than $ 1 million.

The Company entered into a factoring agreement with banking entities with respect to the liabilities of certain customers up to a maximum amount of NIS 850 million ($ 234 million). In accordance with the guidance of IFRS 9, the Company derecognizes from the statement of financial position the factored customer debts. See also Note 20 hereunder.

Customer debts in the amount of $ 110 million have been derecognized as at December 31, 2023.

Note 16 - Other Receivables

$ millions	December 31, 2023	December 31, 2022
Government institutions	1	33
Advances and deposits to others	10	5
Accrued income	*	1
Prepaid expenses	5	9
Current maturities in respect of loans to employees (see Note 13)	*	*
Deposits to suppliers	*	*
	16	48

* Less than $ 1 million.

Note 17 - Cash and Cash Equivalents

$ millions	December 31, 2023	December 31, 2022
Cash balances held in banks in foreign currency	58	1
Cash balances held in banks in NIS	167	30
Cash and cash equivalents	225	31

For information regarding the exposure of the Company to interest rate risks, see Note 25.

Note 18 - Equity

A. Share capital

	Ordinary shares 2023	Ordinary shares 2022	Ordinary shares 2021
Issued and paid in share capital as at January 1 (*)	17,680	17,680	17,680
Split of share capital (**)	1,750,320	-	-
Issuance of shares for no consideration (**)	9,476,431	-	-
Issued for cash during the period (**)	1,249,382	-	-
Issued and paid in share capital as at December 31	12,493,813	17,680	17,680
Authorized share capital	1,000,000,000	10,000,000	10,000,000

* Issued and paid in share capital until the spin-off date:

Ordinary A shares of NIS 1 par value	-	1	Grant the shareholders voting rights at the general meetings, rights to appoint directors and the right to NIS 1 from the Company's surpluses upon liquidation.
Ordinary B shares of NIS 1 par value	-	17,679	Grant the shareholders all of the rights to distribution of company profits as dividends and to the rest of the Company's surpluses upon liquidation.

** On August 17, 2023 a prospectus was issued on the stock exchange for listing the Company's shares as a dividend in kind to shareholders of Paz. In this framework, the Company's share capital was consolidated into one class of ordinary shares having equal rights and was split into shares of NIS 0.01 par value each, and 9,476,431 ordinary shares of NIS 0.01 par value were issued for no consideration. At the same time as distributing the shares of the Company as a dividend in kind, 1,249,382 ordinary shares of NIS 0.01 par value each that constitute 10% of the Company's issued and paid in share capital were issued to Shapir. The spin-off was completed on August 28, 2023. See also Note 1 above.

Note 18 – Equity (cont.)

B. Capital reserve from translation differences

The reserve from translation differences contains all of the foreign currency differentials deriving from translation of the financial statements of the Company until December 31, 2008, from the dollar functional currency to the shekel presentation currency, and the currency differentials deriving from translation of its financial statements until the spin-off date and the change of the functional currency from NIS to dollar.

C. Earnings (loss) per share

The calculation of basic and diluted earnings per share as at December 31, 2023 was based on the profit attributable to the Company's ordinary shareholders divided by a weighted average number of ordinary shares outstanding, calculated as follows:

	Ordinary shares		
Weighted average number of ordinary shares	**2023**	**2022**	**2021**
Balance as at January 1*	11,244,431	11,244,431	11,244,431
Shares issued during the year	1,249,382	-	-
Weighted average number of ordinary shares used to calculate basic and diluted earnings (loss) per share as at December 31	12,493,813	11,244,431	11,244,431

* Pursuant to the guidance of IAS 33, the number of shares was amended retroactively in respect of the distribution of shares to Paz on the spin-off date for no consideration.

Note 19 - Employee Benefits

A. General

1. Employee benefits include post-employment benefits and short-term benefits. Regarding post-employment benefits, the Company has defined benefit plans in respect of which it deposits amounts in appropriate insurance policies. The defined benefit plans grant employees who are eligible for the benefit a one-time payment based on the employees' salary agreements and the collective agreement. In addition, the Company has a defined contribution plan in respect of some of its employees who are subject to Article 14 of the Severance Pay Law – 1963.
2. In accordance with the Company's labor agreements, the liability for post-employment benefits is calculated such that in respect of seniority of 20-30 years, a severance bonus will be paid at a rate of 50% for every year of work and in respect of seniority in excess of 30 years, a severance bonus will be paid at a rate of 100% for each year of service.
3. Employees and retirees of the Company are entitled to receive, in addition to pension and/or severance payments, other benefits, the major one being holiday gifts. Based on an actuarial calculation, the Company set up a provision in respect of its retirees and in respect of its employees, taking into consideration the remainder of the period until their retirement.

Note 19 - Employee Benefits (cont.)

A. General (cont.)

4. In accordance with the salary agreements with employees, the Company has a liability to compensate some of the employees when they reach retirement age in respect of unutilized sick days. The compensation in respect of the unutilized sick days is equal to 20% of the balance of accumulated days, up to a ceiling of 250 days. Based on the opinion of an actuary, the Company set up a provision for the unutilized sick days.

B. Composition of employee benefits

$ millions	December 31,	
	2023	**2022**
Liability recognized in respect of defined benefit plan - presented as part of non-current liabilities	15	17

C. Post-employment benefit plans – defined benefit plan

(1) <u>Change in defined benefit plans</u>

$ millions	December 31,	
	2023	**2022**
Balance as of January 1	17	21
Expense included in profit or loss:		
Current service cost	*	2
Interest cost	1	1
Recognized in other comprehensive income:		
Actuarial losses (gains) deriving from changes in financial assumptions	(1)	(4)
Other actuarial losses (gains)	*	*
Translation reserve	*	(2)
Additional changes:		
Benefits paid	(2)	(1)
Balance as of December 31	15	17

* Less than $ 1 million.

Note 19 - Employee Benefits (cont.)

C. Post-employment benefit plans – defined benefit plan (cont.)

(2) Actuarial assumptions

The major actuarial assumptions as of the date of the report (weighted average):

	2023	2022
	%	%
Discount rate (nominal) on December 31	5.8	5.2
Future salary growth (nominal)	4.2	4.1

The assumptions pertaining to the future mortality rate are based on published statistical data and on accepted mortality tables. A change in assumptions regarding the mortality rate on the basis of the accepted mortality tables has an impact on the calculation of the liability in respect of the defined benefit plan. As a result, a decrease of 10% in the average mortality rate will cause an increase of $ 0.1 million in the liability in respect of the defined benefit plans as of December 31,2023.

(3) Sensitivity analysis

Changes in the discount rate and in the rate of future increases in salary, which the Company believes are reasonably possible at the end of the reporting period to one of the actuarial assumptions, assuming that the rest of the assumptions remain unchanged, would have affected the liability in respect of the defined benefit, as follows:

	December 31,			
	2023		2022	
	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%
Discount rate	(1)	2	(1)	2
Future salary growth	1	(1)	1	(1)

(4) Impact of the plan on the Company's future cash flows

The estimate of the Company regarding the life span of the plan (based on weighted average) as at the end of the reporting period is 9 years (2022 – 9 years).

D. Post-employment benefit plan – defined contribution plan

The Company has a defined contribution plan in respect of the liability of the Company to make payments in respect of part of the salaries of its employees who are subject to Article 14 of the Severance Pay Law – 1963.

	December 31,		
$ millions	2023	2022	2021
The amount recognized as an expense in respect of a defined contribution plan	2	2	2

Note 20 - Short-Term Loans and Credit

$ millions	December 31, 2023	2022
Overdraft	-	119
Short term loans	-	100
Current maturities of debentures (see Note 21)	22	-
	22	219

On December 28, 2022, the Company entered in agreements with banking entities (hereinafter – "the financers") for credit facilities. According to the agreements, the financers provided the Company credit facilities in the total amount of NIS 2.25 billion, of which NIS 1.9 billion in committed credit facilities and NIS 350 million in uncommitted credit facilities available in the form of short-term credit (on call or overdraft) in NIS and foreign currency, guarantees, documentary credit, futures transactions and derivatives. On December 28, 2023 the credit facility agreements were extended for an additional year at an amount of NIS 2.5 billion, of which NIS 2 billion is in committed credit facilities.

Furthermore, it was agreed to provide an additional committed credit facility for factoring transactions in the total amount of NIS 850 million by means of a syndicate composed of the financers. The factoring facilities are available for a period of 12 months from the date of signing the agreement. On December 28, 2023 the factoring facility was extended by an additional year.

As at December 31, 2023 customer debts in the amount of $ 110 million have been derecognized in accordance with IFRS 9.

The borrowing cost in respect of the amount that is expected to be utilized from the credit and factoring facilities is the Prime interest rate plus a margin within an effective range of 0.6% to 1% per year for short-term NIS-denominated credit, and the SOFR interest rate plus a margin within an effective range of 2.7% to 3.2% per year for short-term foreign currency denominated credit.

In order to receive the bank credit, the Company undertook to comply with financial covenants. Presented hereunder are the financial covenants that apply to the Company and its compliance with them as at December 31, 2023:

$ millions	Required	Ratio / sum	In practice
Equity (1)	≥	232	565
The ratio between equity and total balance sheet (2)	≥	20%	41%
Adjusted EBITDA (3)	≥	58	255
Net financial debt to adjusted EBITDA ratio (4)	≤	4.8	0.1
Cash balance (5)	≥	29	225
Ratio of short-term credit to trade receivables and inventory (6)	≤	80%	0%

As at December 31, 2023 the Company is in compliance with the financial covenants.

(1) The Company's equity as reported in the financial statements.

(2) The ratio between shareholders' equity and total balance sheet at the reporting date.

Note 20 - Short-Term Loans and Credit (cont.)

(3) Adjusted EBITDA is the overall amount of the Company's net profit, excluding impairment and increase in value, depreciation expenses, financing expenses and income and tax expenses, and less adjustments in respect of temporary differences in respect of hedging transactions, inventory, foreign currency and refinery margin hedges and effects of changes in the price of crude oil in respect of unhedged inventory, in accordance with that reported in the Company's directors report.

(4) Net financial debt is all the debts and liabilities of the Company to financial institutions, debentures and loans from related parties or others, other than bank guarantees, documentary credit and exposure due to financial derivatives in hedging transactions, less financial assets. To this will be added a factoring balance in excess of US$ 100 million and lease liabilities in accordance with IFRS 16 which will be considered a financial debt.

(5) The balance of cash, including deposits, that will be held with the financers or an unutilized amount of a credit facility.

(6) Short-term credit is the various types of credit provided to the Company that their final repayment date is no later than 12 months from the date they were provided, other than interest-bearing supplier credit, documentary credit, bank guarantees and exposure due to financial derivatives.

Note 21 - Debentures

A. On January 26, 2023, the Company issued debentures (Series 2) to institutional investors. The par value was NIS 580 million on the date of issuance. The exchange rate of the dollar was NIS 3.37 on the date of issuance. The debentures bear annual interest of 7.5% that is payable in semiannual payments as from October 2023. The principal of the debentures will be paid in 5 equal annual payments in the amount of 10% of the principal for each payment on April 30 of each of the years 2024 through 2028, and an additional payment of 50% of the principal in 2029. According to the trust deed of the debentures, on September 14, after the spin-off was completed, the debentures were listed for trade on the Tel Aviv stock exchange, and the interest rate was lowered by 0.25%. On December 27, 2023 an expansion of the debentures (Series 2) by a par value of NIS 220 million was completed. The exchange rate of the dollar was NIS 3.628 on the date of issuance. As at the date of the statement of financial position, the balance of outstanding debentures (Series 2) is NIS 800 million.

B. Below are additional details regarding the debentures as at December 31, 2023:

$ millions	
Issue consideration	223
Transaction costs	(2)
Balance as at December 31, 2023*	221
* Of which current maturities	22

As of December 31, 2023, the rating of the debentures is A3.il with a stable outlook.

Note 21 – Debentures (cont.)

C. Financial covenants:

The Company has committed to comply with financial covenants until the settlement date of the debentures.

Presented hereunder are the financial covenants that apply to the Company and its compliance with them as at December 31, 2023:

$ millions	Required	Ratio / sum	In practice
Equity (1)	≥	200	565
Ratio between equity and total balance sheet (2)	≥	17.5%	41%
Net financial debt to adjusted EBITDA ratio (3)	≤	5.5	-0.1

1. The Company's adjusted equity (equity minus the provision for impairment that was recognized up to the amount of $ 100 million for two consecutive quarters from the quarter in which it was first recognized) will not be less than a total of $ 200 million for two consecutive quarters.
2. The ratio between the Company's adjusted equity and total balance sheet shall not be less than 17.5% for two consecutive quarters.
3. The net financial debt divided by the adjusted EBITDA shall not exceed 5.5 for two consecutive quarters.

Failure to comply with one or more of the financial covenants is grounds for immediate repayment of the debentures. As of December 31, 2023, the Company is in compliance with the financial covenants of the debentures.

Note 22 - Trade Payables

	December 31,	
$ millions	2023	2022
In respect of oil products	446	476
Other	40	46
	486	522

For additional information pertaining to trade payables who are related or interested parties, see Note 27 – Related and Interested Parties. For information pertaining to the exposure of the Company to currency and liquidity risks in respect of trade payables, see Note 26 – Financial Instruments.

As at December 31, 2023 the balance of interest-bearing suppliers was $ 263 million (in 2022 – $ 193 million).

Note 23 - Other Payables

$ millions	December 31, 2023	December 31, 2022
Employees and institutions in respect of salaries	4	3
Provision for vacation, convalescence, and provident	6	6
Deposits and advances from other customers	4	6
Government institutions	13	-
Accrued interest on debentures	3	-
Provision for claims and environmental quality (1)	3	2
Payables from hedging	*	4
	33	21

(1) Provisions:

A. **Environmental quality**: The Company provided in its books for expected operating expenses pertaining to environmental quality, in connection with the treatment of air and ground quality, treatment of sludge, vacating hazardous waste, carrying out surveys, etc. The amount estimated by the Company is based on the assessments of Management and Company experts. In the opinion of the Company, the provision fairly reflects the expected expenses in the area of environmental quality, as known to the Company as of the reporting date.

B. **Legal claims**: Legal claims are filed against the Company in the ordinary course of business. In the opinion of the Company's management, which is based on, inter alia, legal opinions regarding the chances of the claims, provisions in the amount of $ 1 million have been included in the financial statements, where provisions are required to cover the exposure arising from the aforesaid claims. See also Note 26.

Note 24 - Leases

The Group has lease agreements with respect to storage tanks and vehicles.

A. Information regarding material lease agreements

1. The Company leases 2 storage tanks from EAPC having a capacity of 96,000 cubic meters each for a period of 14 years. The contractual period of the aforesaid lease agreements ends on December 16, 2024. The Company has two options to extend the lease agreements for an additional period of three years each. The payments pursuant to the lease agreement were made in advance and therefore there is no liability in respect of this lease. A right-of-use asset in the amount of $ 2 million has been recognized in the statement of financial position as at December 31, 2023 in respect of this lease. For more information on this agreement, see Note 26.B.5.

2. The Company also leases 4 storage tanks from EAPC for periods of five to ten years. The contractual period of the aforesaid lease agreements ends on December 31, 2028. A lease liability in the amount of $18 million and right-of-use asset in the amount of $ 15 million have been recognized in the statement of financial position as at December 31, 2023. For more information on this agreement, see Note 26.B.5.

Note 24 - Leases (cont.)

B. Right-of-use assets

$ millions	**Storage tanks**	**Vehicles**	**Total**
Balance as of January 1, 2022	27	1	28
Additions	-	1	1
Disposals	-	*	*
Linkage differences	6	*	6
Depreciation on right-of-use assets	(7)	(1)	(8)
Translation reserve	(3)	*	(3)
Balance as of December 31, 2022	23	1	24
Additions	-	1	1
Disposals	-	*	*
Linkage differences	1	*	1
Depreciation on right-of-use assets	(5)	(1)	(6)
Translation reserve	(2)	*	(2)
Balance as of December 31, 2023	17	1	18

* Less than $ 1 million.

C. Lease liability

Maturity analysis of the Company's lease liabilities

$ millions	**December 31, 2023**	**December 31, 2022**
Less than one year - Current maturities of lease liability	5	5
One to five years	14	14
More than five years	-	3
Total	19	22
Total long-term lease liabilities	14	17

D. Amounts recognized in profit or loss

$ millions	**Year Ended December 31, 2023**	**2022**	**2021**
Interest expenses on lease liability	1	1	1
Depreciation expenses on right-of-use assets	6	8	6
Total	7	9	7

Note 25 - Financial Instruments

A. General

The Company is exposed to the following risks that derive from use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information regarding the exposure of the Company to each of the aforementioned risks and the Company's objectives, policies and processes for measuring and managing risk. Additional quantitative disclosure is provided throughout these financial statements.

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and the Company is responsible for its implementation.

The Company manages its risks according to the Company’s risk management policies and procedures in various areas. The various policies and procedures are established in order to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the board of directors oversees how management monitors compliance with the Company’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by the Company’s internal auditing, which performs a risk survey once every period and on its basis prepares an internal audit work plan. Internal auditing undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

C. Credit risks

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from customer and other debts.

Transactions are executed with customers, regarding which a credit policy is set whereby each customer is analyzed individually for creditworthiness. The scope and type of collateral are set for each customer, as well as a purchase limit, reflecting the maximum open amount. These limits are reassessed quarterly. Customers who do not comply with the criteria set by the Company regarding the quality of their credit are permitted to make purchases from the Company only on the basis of payment in advance.

The Company executes factoring transactions from time to time that lower the exposure to credit risk of customers. See also Note 20.

Some of the export transactions are secured by letters of credit or by offsetting transactions.

Note 25 - Financial Instruments (cont.)

C. Credit risk (cont.)

(1) Exposure to credit risk

The carrying amount of the financial assets represents the credit risk, ignoring the value of collateral in respect of these balances.

The maximum exposure to credit risk in respect of trade and other receivables, loans and other investments as of the reporting date, broken down by counterparty, is as follows:

	Book value as of December 31,	
$ millions	2023	2022
Financial institutions	225	31
Trade and other receivables	121	123
Total	346	154

(2) Aging of debts and provision for impairment

Company Management monitors the Company's customer debts on a regular basis. The Company's customers pay regularly according to the payment terms, and collateral was received from some of them. Therefore, based on prior experience, no provision was made for expected credit losses. As of the date of the statement of financial position, the Company has no debts in arrears.

D. Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in meeting the obligations associated with its financial liabilities which are settled by delivery of cash or another financial asset. The approach of the Company regarding management of its liquidity risks is to ensure, to the extent possible, a level of liquidity that is adequate to meet its liabilities on time, under both normal and stressed conditions, without it experiencing undesirable losses.

As at the date of the statement of financial position the Company has credit frameworks in the amount of NIS 3.3 billion ($ 900 million) as mentioned in Note 20 above.

Note 25 - Financial Instruments (cont.)

D. Liquidity risk (cont.)

The following table presents the contractual maturities of the financial liabilities, including an estimate of the interest payments. This disclosure does not include amounts in respect of which there are offset agreements:

	December 31, 2023						
$ millions	**Carrying amount**	**Contract-ual cash flows**	**Up to one year**	**Second year**	**Third year**	**Fourth year**	**Fifth year and thereafter**
Non-derivative financial liabilities							
Debentures including current maturities	221	282	37	35	34	32	144
Trade payables	486	486	486	-	-	-	-
Other payables	29	29	29	-	-	-	-
Lease liabilities	19	19	5	4	4	4	3
Other long-term balances	15	15	1	1	1	1	**
Financial liabilities - derivative instruments							
Currency futures contracts	7	7	7	-	-	-	-
Total	777	838	565	40	39	37	** 147

	December 31, 2022						
$ millions	**Carrying amount**	**Contract-ual cash flows**	**Up to one year**	**Second year**	**Third year**	**Fourth year**	**Fifth year and thereafter**
Non-derivative financial liabilities							
Short-term loans and credit	219	219	219	-	-	-	-
Trade payables	518	518	518	-	-	-	-
Other payables	16	16	16	-	-	-	-
Lease liabilities	22	22	5	4	3	3	6
Other long-term balances	15	15	1	1	1	1	**
Financial liabilities - derivative instruments							
Currency futures contracts	*	*	*	-	-	-	-
Total	790	790	759	5	4	4	** 6

* Less than $ 1 million.

** An open-ended annual liability of NIS 5 million.

For information pertaining to the repayment of credit from Paz, see Note 26.B.3 - Commitments.

Note 25 - Financial Instruments (cont.)

E. Market risks

(1) General

Market risk is the risk that changes in the prices of crude oil and its products, and changes in market prices, such as exchange rates, the Consumer Price Index, interest rates and the prices of equity instruments will affect the revenues of the Company or the value of its holdings in financial instruments.

The goal of market risk management is to manage and supervise the exposure to market risks within acceptable parameters, while maximizing profits.

The activity of the Company in the areas of purchasing and refining crude oil and selling distillates in the local and international markets requires Management to take market risks deriving from changes in prices of crude oil and distillates, from changes in the exchange rate and from changes in rates of interest and inflation.

The Company's risk management policy is designed to act as a tool to assist Management in achieving the Company's business objectives, by assessing the possible results of the risk and limiting it in accordance with criteria set by the Company's board of directors and implemented by the Company. These criteria are based on assessing the risk, and taking into consideration forecasts regarding developments in prices, exchange rates and rates of inflation and interest.

(2) Commodity price risks

In order to reduce the exposure to these risks, the Company makes use of financial instruments, including derivative financial instruments (hereinafter – "derivatives"). Hedging transactions are carried out through banking institutions and international companies, taking into account their financial strength, and, therefore, the Company believes that it has no significant credit risks in respect thereof. The Company executes transactions in derivatives on crude oil, traded on international exchanges, in respect of which the Company furnishes margins as is the accepted practice in those markets. According to the Company's policy, the unhedged inventory shall not exceed 250 thousand tons and no more than $300 million.

As of the date of the statement of financial position, the Company has unhedged inventory of 125 thousand tons.

Pursuant to IFRS, in order for a transaction in financial instruments to be recognized as an accounting hedging transaction, it has to fulfill certain conditions, including conditions dealing with the designation of the instrument, compliance with strict documentation requirements, and high hedging effectiveness at the beginning of and during the course of the entire hedge. Changes in the fair value of derivative financial instruments that do not fulfill the conditions required for hedge accounting are immediately carried to profit or loss in each period, however, the results of the hedged instrument are carried to profit or loss only upon realization. The transactions in financial instruments that were conducted by the Company in the reporting period for the purpose of reducing the exposure resulting from the holding of crude oil and its distillates do not comply with the hedge conditions set out in international standards, notwithstanding the fact that their economic goal is such. Therefore, according to IFRS, the changes in fair value of those financial instruments are carried immediately to profit or loss.

Note 25 - Financial Instruments (cont.)

E. Market risks (cont.)

(3) Index and foreign currency risks

Most of the Company's activity is in the fuel market and, therefore, a significant part of its current assets and liabilities are impacted by the exchange rate of the dollar. The Company has a hedging policy with respect to its dollar assets and liabilities and it maintains a currency balance.

As from the spin-off date, the Company's financial currency and presentation currency is the dollar. The Company does not hedge shekel risk exposures and as a result is exposed to changes in the exchange rate.

Risk management relating to currency exposure is under the supervision of the board of directors and is implemented by management.

(3.1) Exposure to index and foreign currency risks

The exposure of the Company to index and foreign currency risks is as follows:

	As of December 31, 2023				
	Interest rate	NIS		Dollar	Total
		Unlinked	Linked to the CPI		
Current assets:					
Cash and cash equivalents		167	-	58	225
Trade receivables		52	-	59	111
Other receivables		*	-	10	10
Derivative instruments		-	-	9	9
Non-current assets:					
Deposit in trust		8	-	-	8
Long-term investments and loans		2	-	-	2
Current liabilities:					
Current maturities of debentures		(22)	-	-	(22)
Trade payables	**	(33)	-	(453)	(486)
Other payables		(15)	-	*	(15)
Derivative instruments		-	-	(7)	(7)
Current maturities of lease liabilities		-	(1)	(4)	(5)
Non-current liabilities:					
Debentures		(199)	-	-	(199)
Liability for authorization fees		-	(15)	-	(15)
Long-term lease liabilities		-	-	(14)	(14)
Assets net of liabilities		(40)	(16)	(342)	(398)

* Less than $ 1 million.

** Average interest rate for part of the suppliers' credit – SOFR + 2%.

Note 25 - Financial Instruments (cont.)

E. Market risks (cont.)

(3) Index and foreign currency risks (cont.)

(3.1) Exposure to index and foreign currency risks (cont.)

The following is a breakdown of the exposure of the Company to index and foreign currency risk in respect of the derivative financial instruments of the Company as at December 31, 2023:

	Currency receivable	Currency payable	Expiration date	Amounts receivable/ payable	Fair value
				$ millions	
Futures contracts:					
Current liabilities					
Forward foreign currency contracts	Dollar	NIS	01.2024	*	*
Oil derivatives:					
Current assets:				9	9
Current liabilities:				3	3

* Less than $ 1 million.

For information pertaining to the CPI and significant foreign currency exchange rates, see Note 3.A.2.

	As of December 31, 2022				
	Interest rate	NIS		Dollar	
		Unlinked	Linked to the CPI		Total
Current assets:					
Cash and cash equivalents		30	-	1	31
Trade receivables		25	-	81	106
Other receivables		43	-	6	49
Derivative instruments		-	-	6	6
Non-current assets:					
Deposit in trust		8	-	-	8
Long-term investments and loans		2	-	-	2
Current liabilities:					
Short-term loans and credit	P+1%	(219)	-	-	(219)
Trade payables	**	(38)	-	(484)	(522)
Other payables		(5)	-	(30)	(35)
Credit from Paz	P+0.3%	(92)	-	-	(92)
Derivative instruments		-	-	*	*
Current maturities of lease liabilities		-	(1)	(4)	(5)
Non-current liabilities:					
Liability for authorization fees		-	(15)	-	(15)
Long-term lease liabilities		-	*	(17)	(17)
Assets net of liabilities		(246)	(16)	(441)	(703)

* Less than $ 1 million.

** Interest rate for part of the suppliers' credit – 6.6%.

Note 25 - Financial Instruments (cont.)

E. Market risks (cont.)

(3) Index and foreign currency risks (cont.)

(3.1) Exposure to index and foreign currency risks (cont.)

The following is a breakdown of the exposure of the Company to index and foreign currency risk in respect of the derivative financial instruments of the Company as at December 31, 2022:

	Currency receivable	Currency payable	Expiration date	Amounts receivable/ payable	Fair value
				$ millions	
Futures contracts:					
Current liabilities					
Forward foreign currency contracts	Dollar	NIS	01.2023	*	*
Oil derivatives:					
Current assets:				6	6
Current liabilities:				-	-

* Less than $ 1 million.

For information pertaining to the CPI and significant foreign currency exchange rates, see Note 3.A.2.

(3.2) Sensitivity analysis

A strengthening of the NIS against the dollar, as of December 31 and an increase in the Consumer Price Index would have increased (decreased) equity and profit or loss by the amounts set out below. This analysis is performed under the assumption that all of the other variables, especially the interest rates, remain constant.

	As of December 31, 2023	
$ millions	**Equity**	**Profit (loss)**
Increase of 1% in the Consumer Price Index	(*)	(*)
Increase of 5% in the exchange rate of the NIS	(3)	(3)

* Less than $ 1 million.

	As of December 31, 2022	
$ millions	**Equity**	**Profit (loss)**
Increase of 1% in the Consumer Price Index	(*)	(*)
Increase of 5% in the exchange rate of the US dollar	(*)	(*)

* Less than $ 1 million.

A weakening of the NIS and a decrease in the Consumer Price Index by similar rates as of December 31 would have had an identical impact, albeit in the opposite direction, and by the same amounts, assuming that all of the rest of the variables remain the same.

Note 25 - Financial Instruments (cont.)

E. Market risks (cont.)

(4) Interest rate risk

The Company has liabilities bearing variable shekel and dollar interest. Therefore, material changes in interest rates may have an impact on the Company's results of operations.

(4.1) Type of interest

The following table presents information pertaining to the type of interest of the interest-bearing financial instruments of the Company:

$ millions	As of December 31, 2023	As of December 31, 2022
	Carrying amount	
Instruments bearing fixed interest		
Financial liabilities	221	-
Instruments bearing variable interest		
Financial assets	251	50
Financial liabilities	274	527

(4.2) Analysis of the sensitivity of fair value in respect of instruments bearing fixed interest

Assets and liabilities at fixed interest are not measured at fair value through profit and loss. In addition, the Company does not designate derivatives as hedging instruments in accordance with a fair value hedge accounting model. Therefore, changes in interest rates as of the reporting date would not affect profit and loss or shareholders' equity in respect of changes in the value of assets and liabilities at fixed interest.

(4.3) Analysis of the sensitivity of cash flows in respect of instruments bearing variable interest

A change of 1% in interest rates at the reporting date would have increased or decreased shareholders' equity and profit or loss by the amounts set out below (after tax). This analysis is performed under the assumption that all of the other variables, especially foreign currency exchange rates, remain constant.

$ millions	As of December 31, 2023			
	After tax profit (loss)		Shareholders' equity	
	Increase in interest	Decrease in interest	Increase in interest	Decrease in interest
Sensitivity of cash flows (net) in respect of instruments at variable interest	(*)	*	(*)	*

$ millions	As of December 31, 2022			
	After tax profit (loss)		Shareholders' equity	
	Increase in interest	Decrease in interest	Increase in interest	Decrease in interest
Sensitivity of cash flows (net) in respect of instruments at variable interest	(4)	4	(4)	4

* Less than $ 1 million.

Note 25 - Financial Instruments (cont.)

F. Fair value

(1) Fair value versus carrying amount

The carrying amount of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, other long-term receivables, deposit in trust, derivatives, trade payables, other payables, and credit from Paz, is equal to or approximates their fair value.

Presentation of the derivative instruments at fair value does not reflect the full cash flow impact on the inventory since on the other hand there is a profit or loss in respect of the physical asset.

The fair values of the other financial assets and the carrying amounts shown in the statement of financial position, are as follows:

$ millions	**December 31, 2023**		
	Adjusted balance of par value	**Carrying amount***	**Fair value Level 1****
Series 2 debentures	221	221	234

* The carrying amount of the debentures is presented at amortized cost (net of raising costs).

** The fair value of the debentures is based on the quoted price on the stock exchange at the reporting date.

(2) The fair value hierarchy of financial instruments measured at fair value

The following table presents an analysis of the financial instruments measured at fair value, using a valuation method.

The various levels were defined as follows:

- Level 1: Quoted prices (unadjusted) in an active market for identical instruments.
- Level 2: Observable (directly or indirectly) data, not included in level 1.
- Level 3: Data not based on observable market data.

	As of December 31, 2023			
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets – derivative instruments	7	2	-	9
Financial liabilities – derivative instruments	2	1	4	7

	As of December 31, 2022			
$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets – derivative instruments	2	4	-	6
Financial liabilities – derivative instruments	-	*	-	*

* Less than $ 1 million.

Note 25 - Financial Instruments (cont.)

F. Fair value (cont.)

(2) The fair value hierarchy of financial instruments measured at fair value (cont.)

Valuation techniques for determination of fair value:

The fair value of forward transactions is the difference between the opening price of the contract and the price on the date of the valuation, discounted to the reporting date.

In short-range transactions, as executed as at the reporting date, there is no reference to the Company's credit risk or to the risk of the counterparty, since the adjustment is immaterial to the results of the valuation.

The fair value is estimated on the basis of discounting the difference between the price of the forward denominated in the contract and the price of the current forward in respect of the rest of the contract period until redemption, using market interest rates appropriate to similar instruments.

Note 26 - Contingent Liabilities and Commitments

A. Contingent liabilities

Commercial and other claims have been filed against the Company in the ordinary course of business. As at the date of this report, the Company has exposure to claims in the total amount of $ 3 million. Presented hereunder are details regarding the main claims:

1. <u>Environmental quality</u>

1.1 <u>Clean Air Law</u>

1.1.1 In October 2017 a hearing was held for the Company at the Ministry of Environmental Protection claiming the alleged breach of the terms of the Clean Air Law and Clean Air Regulations (Clean Air Values) in respect of deviations from the environmental value required for Benzene.

Further to the hearing, in May 2018 the Company received the reply of the Ministry of Environmental Protection that rejects the Company's arguments (which disagreed with the methodology of the Ministry of Environmental Protection and with the alleged deviation) as well as an administrative order, in accordance with Section 45 of the Clean Air Law, to prevent or reduce the air pollution (hereinafter: "the order"). According to that stated in the order, a deviation was supposedly found in the environmental values required for Benzene in the vicinity of the refinery, and according to the Ministry of Environmental Protection there is considerable concern that the source of the deviation is the activity of the refinery. In addition, the order alleges that deviations were found in the emission values of part of the refinery's stacks. The order requires that the Company map the potential sources of Benzene emissions on a regular basis and on the dates on which there were deviations, install a continuous monitoring system on the fence of the refinery (until a system is installed for testing at the frequency determined by the Ministry of Environmental Protection), establish an emergency team for detecting and preventing Benzene emissions, report on deviations and submit a plan for reducing Benzene emissions. The Company has significant arguments regarding the need to issue the order, the proportionality of its instructions, and the factual basis that attributes the deviations supposedly found in the fence of the refinery to the refinery itself. The Company is acting according to the instructions of the order. The order does not include instructions that will require the Company to make significant capital investments.

1.1.2 In May 2018 the Company was summoned by the Ministry of Environmental Protection to a hearing in accordance with the Clean Air Law, with respect to an alleged violation of the provisions of the Company's emission permit following supposed deviations in the emissions values of some of the refinery's stacks that were found in surprise tests that were performed by the Ministry of Environmental Protection. Further to the aforesaid, in September 2018 the Company received another warning letter from the Ministry of Environmental Protection with respect to supposed deviations in the emissions values found in additional stacks of the refinery following more surprise tests of the Ministry of Environmental Protection and deviations that were discovered in the continuous monitoring. On November 29, 2018, a hearing was held for the Company in which it presented its position. The Company disagreed with the findings of the Ministry of Environmental Protection and, inter alia, expressed reservations regarding the credibility of the tests and regarding the lab retained by the Ministry of Environmental Protection not having appropriate qualifications for performing the tests. In March 2019, the Company received notice that the matter is being transferred to further handling with a recommendation to impose a monetary sanction. As at the date of approval of the financial statements, no further notice has been received in connection with the proceeding.

The Company is unable at this time to assess whether a monetary sanction will be imposed and what its amount may be. In any event, insofar as such a monetary sanction is imposed, in the opinion of the Company the amount will not be material for it.

Note 26 - Contingent Liabilities and Commitments (cont.)

A. Contingent liabilities (cont.)

1. Environmental quality (cont.)

1.1 Clean Air Law (cont.)

1.1.3 In February 2020 the Company received another summons to a hearing on alleged violations of the Clean Air Law. According to the Ministry of Environmental Protection, the Company had supposedly exceeded the number of permitted deviations from the environmental value required for Benzene according to its emission permit. In addition, the Ministry of Environmental Protection alleges that deviations were supposedly found in the emission values of several of the refinery's stacks, and that some of the provisions of the Company's emission permit pertaining to the reporting of deviations in emissions and malfunctions had been violated.

In June 2020 the Company received a summons to a hearing on an alleged deviation from the provisions of its emission permit, in respect of the emission of visible black vapor from the flare that was caused by a malfunction at one of the production facilities.

On July 13, 2020, a hearing was held for the Company at the Ministry of Environmental Protection in respect of the summons to hearings from February and June 2020, in which the Company presented its arguments against the allegations and findings of the Ministry of Environmental Protection and the results of its samples. It argued that the Benzene deviations that were measured cannot be attributed to the Company and that the black vapor emitted from the flare did not deviate from the criteria set forth in the emission permit. In September 2020, at the request of the Ministry of Environmental Protection, the Company furnished supplementing documents.

On January 31, 2021 the Company received a summary of the hearing from the Ministry of Environmental Protection, by which it had decided to not continue enforcement in respect of the Benzene deviations, and is still considering to continue proceedings with respect to the aforesaid emission of black vapor.

1.1.4 In December 2020 the Company received summons to a hearing in writing with respect to alleged violations of the provisions of the emission permit. According to the Ministry, deviations were found in emission values of the refinery's stacks. Furthermore, as alleged, deficiencies were found in certain reports the Company is required to submit to the Ministry. In January 2021, the Company sent to the Ministry of Environmental Protection its arguments in writing with respect to the aforesaid. The reply of the Ministry of Environmental Protection to the Company's arguments was received in October 2021, without any decision to continue enforcement.

1.1.5 In November 2021 a warning and summons to a hearing was received from the Ministry of Environmental Protection in respect of alleged deviations from the provisions of the emission permit, according to samples taken from various stacks at the refinery, and in respect of deviations in the Benzene value that was measured at the monitoring stations on the refinery's fence. In the hearing that was held on November 24, 2021 the Company presented its arguments. On December 27 a summary of the hearing was received from the Ministry of Environmental Protection, which required the Company to provide data and documents to supplement its arguments, and stated that after the Company's arguments are examined a final decision would be made on the matters that were discussed in the hearing.

In the opinion of the Company, the source of part of the Benzene emissions attributed to Ashdod Refinery is containers that arrive at the dispenser terminal for loading and transporting gasoline, and the loading of ships at the marine buoys of the IEC.

Note 26 - Contingent Liabilities and Commitments (cont.)

A. Contingent liabilities (cont.)

1. Environmental quality (cont.)

1.1 Clean Air Law (cont.)

1.1.6 In June 2022 the Company renewed its emission permit for a period of seven years pursuant to the Clean Air Law. In the opinion of the Company, the new emission permit does not include new instructions that will require it to make significant capital investments.

1.1.7 In December 2022 the Company received a warning and summons to a hearing from the Ministry of Environmental Protection with respect to an alleged violation of the provisions of the emission permit. According to the Ministry, surprise tests were performed in which supposed deviations were found in the emission values, deviations from the emission values were found in the continuous monitoring at the plant's stack, and black vapor from the flare was seen for more than the permitted time. The Company presented its arguments in a hearing that was held on January 15, 2023. According to the summary of the hearing, the Ministry of Environmental Protection is considering taking the measures at its disposal, including recommending imposing a monetary sanction.

1.1.8 On August 30, 2023 the Company received a notice from the Ministry of Environmental Protection of intention to impose on it a monetary sanction in the amount of NIS 6.9 million pursuant to Section 53(a)(2) of the Clean Air Law in respect of an alleged violation of its emission permit. The Company conveyed its response to the Ministry of Environmental Protection as required by law in the framework of its right to be heard. In the opinion of the Company’s legal counsel, the exposure expected for the Company in respect of that alleged in the notice is 50% of the amount specified in the notice. The Company has included an appropriate provision in its books.

Furthermore, in August 2023 the Company received from the Ministry of Environmental Protection a summons to a hearing, before the issuing of an administrative order pursuant to Section 45 of the law, in respect of alleged deviations from the emission values permitted in the emission permit, which were measured in the monitoring of the platform at the plant’s stack, and in respect of deviations in the value of Benzene that was measured at the monitoring stations operated by the Company. The hearing was held on September 13, 2023 and in it the Company raised its arguments and denied the allegations of the Ministry of Environmental Protection. On November 9, 2023, the Company received a document summarizing the hearing that indicates that the parties had agreed that the parties would hold a professional discussion regarding the actions that can be taken for reducing Benzene concentrations. It also stated that a decision regarding the alleged deviations would be made after completing the examination of the Company’s arguments.

In the opinion of the Company, proceedings described above that have not yet ended are not likely to have a material effect on the Company.

Note 26 - Contingent Liabilities and Commitments (cont.)

A. Contingent liabilities (cont.)

1. Environmental quality (cont.)

1.2 Business Licensing Law

In September 2018, the Company received a warning letter according to Section 14 of the Business Licensing Law – 1968. In the letter the Ministry of Environmental Protection claims that the Company had supposedly violated the terms of its business license when it did not provide certain documents the Ministry had requested in connection with consolidating the Company's emission permits. On November 29, 2018, a hearing was held for the Company on the matter in which it presented its position. In the hearing the Company argued that all the documents indicated in the warning had been provided to the Ministry and all the reports had been made. Following the hearing the Company provided the Ministry the documents for a second time. In March 2019, the Company received notice that the matter is being transferred to further handling with a recommendation to impose a monetary sanction. As at the date of approval of the financial statements no further notice has been received in connection with the proceeding. The Company is unable at this time to assess whether a monetary sanction will be imposed and what its amount may be. In any event, insofar as such a monetary sanction is imposed, in the opinion of the Company the amount will not be material for it.

1.3 Water Regulations (Prevention of Water Pollution) (Fuel Lines) – 2006 (hereinafter in this item: "the Water Regulations")

The purpose of the Water Regulations is, inter alia, to regulate the handling of concerns from pollution that may have been caused to the environment and/or pollution that was caused following a leak from a fuel line that is off the premises of the plant. The Water Regulations state that in addition to checking that the fuel lines are intact, including by scouting the area, when there is concern of a leak also environmental assessments need to be made in order to understand the damage that may have been caused to the environment. The Water Regulations also prescribe how to treat polluted land when the pollution is caused by a leak in the line.

The Company has a small number of fuel lines (only eight lines of a few hundred meters long), and it acts according to the provisions of the Water Regulations and monitors leaks and makes patrols as required.

In January 2020, the Ministry of Environmental Protection requested from the Company to check its fuel lines outside the fence of the refinery following breach of a fuel oil line near the fence of the refinery from the south. After examining the event, a breach was discovered in the 18" line that in the past transmitted fuel oil from the refinery to Ionex at the Ashdod port for dispense and fueling of ships. To the best of the Company's knowledge the line in question was owned, used and operated by Ionex until the poisons permit of Ionex was revoked and it discontinued its operations as a result. In November 2020, an investigator of the Green Police requested from the Company documents relating to the breached line and even summoned some employees, including the Company's CEO and COO, to give testimony and to an interview under caution. As at the date of approval of the financial statements the Company has not received any further notice in connection with the proceeding. In the opinion of the Company, this proceeding is not likely to have a material effect on the Company.

2. Claim against the State and counterclaim (authorization fees)

A disagreement arose between the Company and the State with respect to excess payment of authorization fees for 2016 and 2018 pursuant to an amendment to the authorization agreement, in view of the State's mistaken interpretation of the arrangement's instructions. In May 2019, the Company filed a claim against the State to return the excess amount that was paid of NIS 2 million.

Note 26 - Contingent Liabilities and Commitments (cont.)

A. Contingent liabilities (cont.)

2. Claim against the State and counterclaim (authorization fees) (cont.)

In November 2019, the State filed a defense brief and a counterclaim against the Company in respect of underpayments for the years 2016 and 2018 in the amount of NIS 3.6 million. On November 29, 2020, the Company filed a motion requesting to amend the claim, so that the amended amount of the claim will be NIS 6.76 million (as at December 13, 2020). In view of the amount in dispute, the case was transferred to the District Court. A pretrial was held on June 16, 2022, in which it was decided that the parties would submit affidavits and expert opinions. On March 14, 2023, another pretrial was held in which dates were set for submitting supplementing affidavits. Another pretrial was scheduled for June 2023. On May 28, 2023 the State filed its response to the Company's motion to strike parts of the expert opinion that had been submitted by the State, as well as a motion to strike the opinion the State alleges had been unlawfully submitted by the Company. On June 28, 2023 a hearing was held in which dates were agreed upon and the court also denied the State's motion to strike the appendix of the Company's expert opinion and denied the Company's motion to strike parts of the State's expert opinion but with reservation of its arguments. Further to a proposal of the court the parties agreed to enter a mediation before Regina Unger, CPA. The mediation proceeding is scheduled to begin in April 2024.

In view of the early stage, it is not possible to assess the chances of the claim and counterclaim.

3. Class action against IEC

On October 23, 2019, a motion to certify a class action was filed against IEC alleging that it had refrained and still refrains from acting to prevent raising the electricity tariff for household consumers. The motion for certification alleges that IEC had failed to implement the standards established by the Electricity Authority (the regulator in charge of regulation of the electricity sector) in all that concerns deviations from consumption plans the electricity suppliers submit to IEC. On March 15, 2020 IEC filed a motion to dismiss and on July 22, 2020 filed a response to the motion for certification. On November 25, 2020 IEC requested that Ashdod Refinery be added as a third party in addition to other private producers. All the parties submitted their responses in 2021, and a court hearing was held on October 31, 2021. On April 10, 2023 the court denied the motion of IEC to add third parties, including Ashdod Refinery. IEC filed an appeal on the court's ruling, in which it is requesting to revoke the ruling and permit it to file third party notices. A hearing on the appeal is scheduled for May 6, 2024.

Based on, inter alia, the Company's explicit statement that it did not act in the manner alleged in the motion for certification, and the Company being an electricity supplier that sells electricity originating from facilities it owns that produce electricity using cogeneration technology, so that the issue being discussed in the proceeding is less relevant to it, the Company's legal counsel assesses that the likelihood of the proceeding being concluded with the Company being found liable is less than 50%.

4. Motion to certify class action in respect of exposure to pollutants

On August 2, 2020, a claim and motion to certify the claim as a class action was filed with the Beer Sheva District Court. The motion alleges that the Company is responsible for the prolonged exposure of the residents of Ashdod to pollutants emitted from the stacks of the refinery during 2017-2018 at which time the Company was not in compliance with the environmental requirements set forth in the law. The motion also states that the Company should be required to compensate the class members, which includes about 15% of the residents of Ashdod, who suffered from the pollutants in respect of non-pecuniary damages from health risk and violation of autonomy in the total amount of NIS 39 million. In August 2023 the court denied the motion to certify a class action and decided that the applicants had not succeeded in establishing a personal cause of action and that damage was caused to the applicant or the class members, and that the necessary conditions for certifying a class action have not been met. The court awarded expenses to the Company in an immaterial amount. The Company reversed the provision it had included in the books.

Note 26 - Contingent Liabilities and Commitments (cont.)

A. Contingent liabilities (cont.)

5. Proceedings with the Fuel Administration

5.1 Indictment against the Company, the Company's CEO and an additional employee

In January 2020 a quality event occurred in diesel fuel for transportation dispensed by the refinery in five gasoline stations, one of Paz and four of Dor Alon, in which a deviation of 6 PPM from the permitted level of sulfur in diesel fuel was discovered in a sample of the Fuel Administration. The Fuel Administration opened a criminal investigation of the event and summoned some employees to give testimony and to an interview under caution, including the Company's CEO and COO.

On January 9, 2022, the Ministry of Energy filed an indictment against the Company, the Company's CEO and an additional employee. The charges in the indictment are transmitting diesel fuel that does not meet the required standard and the requirements of the law, to the dispenser tanks of the Company and selling it at various gasoline stations. The proceeding is in an early stage and an additional hearing is scheduled for May 2024.

In the opinion of management of the Company, based on the opinion of its legal counsel, at this stage it is not possible to assess whether the proceeding will have an effect on the Company and its operations and what the effects may be.

5.2 Indictment against the Company and the Company's CEO

In May 2020 the Company received notice from the Fuel Administration by which in April and May 2020 the Company had issued winter-grade gasoline instead of summer-grade gasoline and in doing so issued gasoline that does not meet the requirements of the standards in a manner that constitutes violation of the Standards Law and the Operation of Vehicles (Engines and Fuel) Law. The Company replied to this notice that it had acted precisely according to the instructions of the standard and date extensions that were received by the Minister of Economy (at the request of the Fuel Administration) and therefore has not violated the law. The Fuel Administration opened a criminal investigation of the event and summoned some employees to give testimony and to an interview under caution, including the Company's CEO and COO.

On January 9, 2022, the Ministry of Energy filed an indictment against the Company and the Company's CEO. The charges in the indictment are issuing winter-grade gasoline (in which the vapor pressure level is higher) from the refinery and the import terminals in May 2020, even though according to the temporary order that applied at the time, the Company was not allowed to issued winter-grade gasoline from the refinery and import terminals. The proceeding is in an early stage and an additional hearing is scheduled for May 2024.

In the opinion of management of the Company, based on the opinion of its legal counsel, at this stage it is not possible to assess whether the proceeding will have an effect on the Company and its operations and what the effects may be.

Concurrently with the aforesaid, the court accepted the request of the parties to transfer both claims to mediation, and the cases were transferred to a mediation judge at the Kiryat Gat Magistrates’ Court. A mediation hearing on both cases is scheduled for May 2024.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments

1. Agreement for the transfer of intermediate products

ORL and the Company entered into an agreement that enables the two companies to sell intermediate products to one another, at agreed-upon price formulas based on international prices. The Agreement was signed for a period of one year from March 9, 2006, and may be extended for additional one-year periods at the consent of both parties. Among other things, the Agreement sets forth mechanisms for sales, payment and the related logistics. The Company is unable to quantify the effect on it, if any, of the transfer agreement not being extended for additional periods of 12 months each. The effect on the Company mainly depends on the situation of the market and on the alternatives the Company has at that time.

In December 2010, an agreement was signed between the Company and Carmel Olefins, a subsidiary of ORL, for the sale of 80-105 thousand tons of Propylene (Olefin components) a year, by the Company to Carmel Olefins, which existed from the date of the spin-off in 2006 and was updated when the projects constructed by the Company were completed in 2011 and 2012, for a period of 10 years until June 2022. In April 2011, the Competition Authority approved the agreement. ORL is presently the sole outlet. If the agreement is not renewed the Company will have to make a significant capital investment for finding an alternative outlet for Propylene, In August 2022 the parties signed a new agreement for 7 years with each party having the right to terminate the agreement at an advance notice of three years. The price formula of Propylene was also adjusted

2. Service agreement with Paz

In October 2006, a service agreement was signed between Paz and the Company, which was renewed on December 24, 2009. This agreement ended on the date of the spin-off. Pursuant to the agreement, Paz rendered to the Company various services, including: purchasing services for raw materials and intermediate materials, management of hedging for changes in crude oil and distillate prices and the refining margin, financial and controllership services, management of communications and information systems, legal counsel and corporate counsel services, as well as marketing oil products in Israel and abroad. Concurrently, the Company rendered various services to Paz, such as inventory and infrastructure management, management of the Haifa facilities and various purchasing services. The Company reimburses Paz for the salaries of the employees who render the services pursuant to this agreement.

In September 2020 most of the employees in the Paz agreements transferred to an agreement with Paz Ashdod Refinery. The management fees between the companies were adjusted accordingly. On June 23, 2023 a new service agreement was signed between the Company and Paz by which as from the spin-off date the computer and information systems services each party renders to the other and the dispensing services Paz renders to the Company, will be rendered in exchange for the maintenance and operation services of the Haifa facilities the Company renders to Paz, temporarily until each one of the parties is able to carry out the relevant activities on its own and such that the relationship between the parties will be like between a customer and independent contractor. The agreement is in effect for 36 months from the spin-off date, with each party having the right to terminate the agreement or part of the services indicated in it at an advance notice of 30 days. As at the date of the statement of financial position, the Company no longer purchases information systems services from Paz.

3. Credit agreement – Paz

In November 2009, an agreement was signed between Paz and the Company, whereby the Company is entitled to periodically receive loans from Paz. The loans have no maturity dates, are unlinked and bear interest. The interest rate on the shekel principal will be the higher of the Bank of Israel rate plus 1.77-2.2% or the interest rate set by the Finance Minister in respect of loans, in accordance with the Israeli Tax Ordinance (New Version). The interest on the foreign currency principal will be equal to the higher of the change in the exchange rate of the relevant foreign currency plus 3% or the interest rate set by the Finance Minister in respect of loans, in accordance with the Israeli Tax Ordinance (New Version). Pursuant to the agreement, the Company has the option of repaying the entire loans or parts thereof upon advance notice of 14 days.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

3. Credit agreement – Paz (cont.)

In addition, each of the parties has the right to terminate the agreement for any reason whatsoever, upon 30 days' advance notice in writing, and the loans must be paid immediately, on the date set out in the cancellation notice.

The credit agreement was cancelled on February 1, 2023. The Company replaced the credit from Paz with an issuance of debentures to institutional investors and agreements with banking entities to provide a credit facility and factoring facility. For more details, see Note 1 and Note 20 above.

4. Authorization agreement

On July 27, 2006, an amendment to the agreement was signed between ORL and the State of Israel (hereinafter - the "Amendment") whereby ORL waives all of its rights and claims in connection with the assets it is to transfer to the Company, as part of the agreement for the transfer of assets and liabilities signed between them on March 9, 2006, and the State of Israel transferred to ORL the rights in these assets, such that in respect of each and every one of the assets, ORL will receive the right that it would have had in the asset, had the position of the State of Israel been different in the dispute described in the agreement. ORL also undertook not to make any change in the zoning or utilization of the assets covered by the Amendment, unless it receives the approval of the accountant general, the director general of the Ministry of National Infrastructures and the Director of the Israel Lands Administration. The Amendment includes an exit condition whereby the State of Israel has the right, in the event of a breach of the aforementioned commitment, to immediately repossess all of the property rights in respect of which the breach was made, leaving ORL without any rights to such property. In addition, the State has the right to receive agreed-upon in advance compensation of 6% per annum of the value of the property in respect of which the breach was made, commencing from the date of the breach and until actual payment is made.

Identical provisions regarding the change in zoning and utilization and the exit condition are included in the agreement between ORL and the Company, in connection with the transfer of the assets mentioned in the Amendment.

As part of the authorization agreement that was assigned to the Company, the Company undertook to pay the State of Israel an annual fee, unlimited in time, at a fixed amount of US$750 thousand and additional annual amounts contingent on Ashdod Refinery's annual income, as follows: 8% of the annual income before tax and the annual payment in the income range of $0-10 million, 10% of the annual income before tax and the annual payment in the income range of US$10-17.5 million, and 12% of the annual income before tax and the annual payment in the income range of US$17.5-22.5 million. In any event, the annual fee (including the fixed component) shall not exceed US$2.9 million. All of the amounts will be translated into shekels at an exchange rate of US$1 = NIS 4.8 and will be adjusted for changes in the Israeli CPI (the base index is May 2002).

5. Leases

In 2010 the Company paid Eilat-Ashkelon Pipeline Company Ltd. ("EAPC") an amount of $ 20 million (NIS 76 million) in respect of the construction of two crude oil storage tanks with a capacity of 96,000 cubic meters each. The Company leases the tanks to store crude oil for a period of 14 years and it pays EAPC annual storage fees in the amount of NIS 2.8 million per year. The agreement has two additional option periods of 3 years each to extend the agreement. The storage fees in the option periods will be NIS 10.4 million per year (before linkage as set forth in the agreement).

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

5. Leases (cont.)

In January 2012, the Company and EAPC entered into an agreement to lease additional storage tanks and receive infrastructure services for 7 years beginning from January 2012. This agreement was extended in November 2018 for an additional period of 10 years, in exchange for the lease payments and the payments for the infrastructure services that the parties agreed to in the agreement. According to the agreement the Company leases from EAPC tanks having a total capacity of 306 thousand cubic meters. Five years after the signing of the agreement (meaning December 31, 2023) the storage capacity will decrease to 249 thousand cubic meters and the lease payments will be adjusted accordingly. On April 1, 2021, the parties agreed to change the mix of the storage tanks, so that from that date the Company will lease storage tanks having a total capacity of 267 thousand cubic meters, instead of 306 thousand cubic meters.

6. Agreements for the supply of natural gas

6.1 Agreement with the Tamar Reservoir Partnership

On April 2, 2012, an agreement for the supply of natural gas was signed between the Company and the partners of the Tamar Project (hereinafter – the “Sellers” and the “Tamar Project’, respectively), whereby the Company will purchase from the Sellers natural gas for the purpose of operating the existing facilities of the Company (hereinafter – the “Agreement”). Pursuant to the agreement, the Sellers will supply the Company with a quantity of up to 111,800,000 MMBTU of natural gas throughout the life of the agreement (the “total contractual quantity”). The supply period pursuant to the agreement is 15 years or until the Company consumes the total contractual quantity (hereinafter – the “supply period”), whichever earlier. The parties have the right to extend the supply period for an additional period of up to one year if, as at that date, the total contractual quantity has not been consumed. The supply period commenced during the second quarter of 2013. Please note that during various periods within the supply period, different quantities of gas will be supplied. The agreement contains additional clauses that are common for agreements of this type, such as compensation mechanisms in the event of a shortfall in supply, a take or pay mechanism for a minimum annual quantity of natural gas at a volume and in accordance with the mechanism set out in the agreement, the quality of the gas, a warranty ceiling, arbitration mechanism, etc. In addition, the agreement contains arrangements for changes in regulations and/or additional taxes on the Sellers. The price of gas set out in the agreement was linked to the tariff for electricity production that is set from time to time by the Public Utilities Authority – Electricity (the Electricity Authority) and it contains a “floor price” and "ceiling price".

On December 28, 2015 the Antitrust Authority issued a decision that granted a conditional exemption for restrictive agreements between the partners in the Tamar gas reservoir and natural gas consumers (one of which is the Company) (hereinafter – the “Resolution of the Commissioner”). According to the Resolution of the Commissioner, realization of the right of the consumers (including the Company) to notify the partners of the Tamar project regarding a reduction in the quantity of natural gas indicated in the Take or Pay condition (up to a quantity equal to half of their annual average consumption in the three years that preceded the date of the notification) will be allowed during one of the following periods, whichever ends later: (a) the period from January 1, 2020 through December 31, 2022 (instead of the period from January 1, 2018 through December 31, 2020 as set out in the agreement), or (b) the period commencing at the beginning of the fifth year (instead of the fourth year as set out in the agreement) after beginning the supply of natural gas and concluding at the end of the seventh year from that date.

On May 26, 2020 the Company notified the Tamar Reservoir Partnership that it is exercising its right to reduce the quantities of natural gas pursuant to the Resolution of the Commissioner. The reduction came into effect on May 27, 2021. In accordance with the reduction mechanism, the daily, annual and contractual consumption quantities were updated. The Take or Pay mechanism continues to apply to the reduced quantity.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

6. Agreements for the supply of natural gas (cont.)

6.1 Agreement with the Tamar Reservoir Partnership (cont.)

In September 2014, a SPOT agreement was signed between the Company and the Tamar Reservoir partnership, for the purchase of additional quantities of natural gas, to be supplied to the Company, at its request, by the Tamar partnership in the event that surplus quantities are placed at its disposal. The agreement was signed for 90 days, and is automatically renewed for an additional 90 days, subject to the agreement of both parties. The agreement can be cancelled on 7 days' notice. The agreement does not include a commitment to supply and/or purchase any quantities.

In February 2021, another agreement for the supply of natural gas was signed between the Company and the Tamar Reservoir Partnership. The agreement is for interruptible supply until September 30, 2024, without a commitment of either party to a minimum quantity of natural gas. Throughout that period the Company will be able to purchase natural gas at a price lower than the price in the Tamar agreement. The agreement includes provisions that are similar to the existing natural gas agreements other than, as aforesaid, provisions regarding the purchase of a minimum quantity (Take or Pay) during the period of the agreement and the resultant mechanisms.

6.2 Agreement with the Leviathan Reservoir Partnership

In November 2016, a natural gas supply agreement was signed between the Company and the partners in the Leviathan project (hereinafter – the “Sellers” and the “Leviathan Project” or the “Leviathan Reservoir”, respectively), whereby the Company would purchase from the Sellers natural gas for purposes of operating the plants of the Company (hereinafter – the “Agreement”). According to the Agreement, the Sellers undertook to supply the Company natural gas at a volume of 111,715,000 MMBTU over the duration of the agreement period (hereinafter – the “Total Contractual Quantity”), pursuant to the terms set out in the Agreement.

The agreement period commenced on the date of the signing of the agreement and is expected to end on the earlier of the date on which the Company will have completed consuming the Total Contractual Quantity or the end of the fifteen year period following the date on which a commercial quantity of natural gas started to flow from the Leviathan Reservoir to the Company. The parties have the right to extend the agreement by a period of up to one more year or until the Total Contractual Quantity has been consumed, whichever earlier.

The agreement includes, among other things, a "take or pay" mechanism for a minimum annual quantity of natural gas at a volume and pursuant to a mechanism as set out in the agreement (hereinafter – the “minimum annual quantity”).

The Company will have an option to reduce the minimum annual quantity to a quantity equal to 50% of the average annual quantity it actually consumed during the three-year period preceding the date on which it gave notice that it was exercising the option, subject to adjustments set out in the agreement (hereinafter – the “reduction of the purchase quantity”). The reduction of the purchase quantity shall be possible at any time during the period commencing on the later of the following dates and concluding three years after that date: (1) Four years from the date on which the Commissioner of Oil Affairs approved the transfer of the rights to the Karish and Tanin licenses pursuant to the gas outline that was approved by the Government; (2) Five years from the date on which the flow of natural gas from the Leviathan Project to the Company commenced. The notice regarding the exercise of the option to reduce the purchase quantity will go into effect twelve months following the giving of such notice. Upon the reduction of the purchase quantity, the other quantities set out in the agreement will be reduced accordingly.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

6. Agreements for the supply of natural gas (cont.)

6.2 Agreement with the Leviathan Reservoir Partnership (cont.)

The agreement stipulated that the price of the natural gas will be linked partially to the price of a barrel of Brent crude and partially to the electricity production tariff, as will be set from time to time by the Electricity Authority, and it will include a "floor price".

In the opinion of the Company, the overall monetary scope of the agreement throughout the entire period of the agreement (based on an assessment of the price and quantity of natural gas the Company will acquire throughout the period of the agreement), could amount to US$ 700 million, assuming that the Company uses the entire contractual quantity. It is clarified that the actual monetary scope will be derived from several matters, including the quantities of natural gas that are actually acquired by the Company, the price of a barrel of Brent crude and the electricity production tariff.

On May 4, 2017, the Sellers notified that all the pre-conditions in the agreement had been fulfilled.

In June 2020, the Company began using natural gas from the Leviathan Reservoir.

7. Agreement for the supply of condensate

On November 28, 2012, an agreement was signed between the Company and the Sellers (as that term is defined in section 6 above) for the supply of condensate (a hydrocarbon liquid created during the production of natural gas), whereby the Company would purchase from the sellers condensate produced from the Tamar field (to the extent that any is produced). Pursuant to the agreement, the Sellers undertook to supply the Company with condensate that would flow to the receiving facility in Ashdod from the Tamar Project, in accordance with and subject to quantities and conditions set out in the agreement. According to the agreement, the price to be paid to the Sellers in respect of the condensate is determined on the basis of the Brent prices, less a margin as set out in the agreement. The agreement period shall commence on the date the condensate begins to flow from the Tamar Project, for a period of five years (hereinafter – the “agreement period”). In addition, the agreement set out provisions pertaining to daily, monthly and annual (minimum and maximum) limits regarding the quantities of condensate, penalties in the event of a breach of the provisions of the agreement, etc.

In November 2016, the parties agreed to a commercial amendment to the agreement that has no material impact on the results of operations of the Company, as well as to an extension of the agreement for a five-year period.

In February 2021, the parties agreed to an additional commercial amendment to the agreement that provides the Company an additional discount on the price of condensate and extends the agreement until December 31, 2030.

In January 2023, the Company and the Leviathan Reservoir Partnership signed an agreement for the supply of condensate that will flow from the Leviathan reservoir to the receiving facility in Ashdod, in accordance with and subject to quantities and conditions set out in the agreement. According to the agreement, the price to be paid in respect of the condensate is determined on the basis of the Brent prices, less a margin and is scaled as set out in the agreement. The agreement is for 4 years beginning from the date of beginning to complete conversion of the pipeline designated for transmitting the condensate to the refinery, pursuant to a transmission agreement that was signed between the Sellers and Energy Infrastructures Ltd., the owner of the aforesaid pipeline. The Leviathan Reservoir assessed that the work needed for adapting the infrastructure will end in the fourth quarter of 2023. In November 2023 the Company was notified by the Sellers that because of the war the transmission of condensate is postponed to the beginning of 2024. In addition, the agreement set out provisions pertaining to daily and monthly supply limits regarding the quantities of condensate, compensation mechanisms in the case of undersupply or underuse, a liability ceiling, and so forth. The agreement may improve the Company's profitability compared to the situation before it was signed. Transmission of condensate to Ashdod Refinery began in March 2024.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

8. <u>Framework agreement between Dor Alon and Ashdod Refinery</u>

In June 2007, the Company and Dor Alon signed a framework agreement which established general engagement terms. According to the agreement, once a year the companies arrange the commercial terms of the engagement, which include the annual quantity, formulas of product prices, payment terms including prepayments, credit terms and supply terms. From time to time the parties sign addendums to the framework agreement which provide the terms for annual purchases of diesel fuel for transportation, gasoline 95 octane and jet fuel. The agreement for the supply of gasoline and diesel fuel was extended for 2024 at the same terms. Dor Alon is a major customer of the Company.

9. <u>Agreements for sale of electricity</u>

Electricity is sold to private customers in accordance with detailed agreements that include provisions that are customary in the sector. The price of electricity is determined for each customer as a discount percentage from the electricity production price published by the Electricity Authority and according to the consumption profile of the customer. The infrastructure fees paid by the customer are transferred by the Company to IEC. From time to time the Company renews agreements with existing customers and signs agreements with new customers according to the changing consumption of its customers and the validity of the various agreements. In addition, the Company signed several framework agreements with private electricity producers for interruptible purchases and sales of electricity surpluses.

10. <u>Agreements for the purchase of oil</u>

In December 2018, a framework agreement was signed between the Company and a supplier of crude oil for the purchase of 12 to 24 loads of crude oil per year, with each load weighing between 80,000 tons and 130,000 tons, leaving the Company with operational and financing flexibility. In December 2020 the agreement was extended until December 2022. The agreement was extended until March 31, 2023 so that negotiations could continue regarding the effects of the Company's spin-off from Paz. In April 2023 the agreement was renewed for a period of 12 months with an option for its extension by an additional 12 months at the agreement of the parties. The new agreement includes the acquisition of 1-2 loads per month (but no more than 5 loans per quarter), weighing 80,000 tons, with the Company continuing to have operational and financing flexibility. The parties are negotiating renewal of the agreement for an additional year.

In March 2020 another framework agreement was signed between the Company and a supplier of crude oil for the purchase of 1 to 3 loads of crude oil per quarter, with each load weighing between 80,000 tons and 130,000 tons, leaving the Company with operational and financing flexibility. This agreement included an option to renew it for one year with the agreement of both parties. The agreement also permits extending the credit terms provided in it to a maximum of 90 days in consideration for interest at the market rate. In March 2022 the agreement was extended for an additional year so that negotiations could continue regarding the effects of the Company's spin-off from Paz. In April 2023 the agreement was renewed for a period of 12 months with an option for its extension by an additional 12 months at the agreement of the parties. The agreement arranges the number of loads and financing terms during that period, between 3 and 5 loads per quarter weighing between 80,000 tons and 130,000 tons, subject to framework utilization restrictions of $ 200 million, leaving the Company with operational and financing flexibility. The parties are negotiating renewal of the agreement for an additional year.

In December 2020 another framework agreement was signed between the Company and a supplier of crude oil for the purchase of 1 to 3 loads of crude oil per quarter, with each load weighing between 70,000 tons and 130,000 tons, leaving the Company with operational and financing flexibility. The agreement was extended until December 2024.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

10. Agreements for the purchase of oil (cont.)

In March 2022 another framework agreement was signed between the Company and a supplier of crude oil for the purchase of 1 to 3 loads of crude oil per quarter, with each load weighing between 80,000 tons and 130,000 tons, leaving the Company with maximum operational and financing flexibility, in effect until March 2023 without any conditions pertaining to the spin-off. In April 2023 the parties reached commercial understandings regarding renewal of the agreement for 11 months for the purchase of 2-3 loads of crude oil weighing between 80,000 tons and 130,000 tons each, subject to framework utilization restrictions of $ 120 million, leaving the Company with operational and financing flexibility. The parties are negotiating renewal of the agreement for an additional year.

In May 2023 another framework agreement was signed between the Company and a supplier of crude oil, for a period of 7 months beginning from June 2023. The contract includes the purchase of 1-3 loads per quarter, weighing 60,000-130,000 tons each, subject to framework utilization restrictions of $ 60 million, leaving the Company with operational and financing flexibility. As at the date of issuing these financial statements, the Company does not have a valid framework agreement with the supplier.

11. Agreement for the maintenance of power stations

In December 2019, a long-term maintenance agreement was signed between Ashdod Refinery and Siemens. The agreement is for 15 years and includes planned and unplanned maintenance services for the two power stations, including periodic maintenance of turbines, maintenance of primary equipment, handling malfunctions, replacing a motor as needed and a commitment to supply spare parts and consumables. According to the agreement the contractual consideration will be spread linearly over the period of the agreement and be paid in equal quarterly installments. The price is linked to a mix of indices as specified in the agreement. The Company has the right to terminate the agreement in two main events: the first is a breach on the part of Siemens relating to a delay in replacing a motor, and the second is any time at the request of the Company subject to providing an advance notice of 90 days. Termination of the agreement as aforesaid is subject to the payment of liquidated damages at the rates provided in the agreement.

12. Framework agreement between Paz and the Company for the purchase of fuels

On June 23, 2023 Paz and the Company signed a framework agreement for the purchase and sale of diesel fuel, gasoline 95 octane, various types of fuel oil, kerosene, jet fuel, naphtha or other products manufactured by the Company. The agreement came into effect on the spin-off date and is in effect until December 31, 2025. The agreement specifies annual and monthly quantities that Paz will purchase from the Company in each one of the years of the agreement. The agreement prescribes price formulas of products, payment terms, credit terms and supply terms.

13. Agreement for the purchase of catalyst for catalytic cracker

In May 2021, the Company signed an agreement with a leading international supplier for the supply of a catalyst for the catalytic cracker. The price in the agreement is in terms of dollar per ton. The price has linkage mechanisms according to the prices of raw materials used to manufacture the catalyst. The agreement is in effect until December 31, 2023 and includes an option for its extension until December 31, 2025. The monetary scope of the agreement is assessed to be one million dollars per month. In August 2022 the supplier notified the Company that following the rise in prices of natural gas and raw materials in Europe, it plans to exercise a clause in the agreement by which in cases of an extraordinary rise in prices of raw materials and energy it may renegotiate the contractual price, and insofar as no agreement is reached on a new price, each one of the parties may terminate the agreement with 150 days' notice. After a meeting was held with the supplier and the parties exchanged proposals but no agreement was reached, in September 2022 the supplier notified the Company that it is terminating the agreement, effective February 2023, and that it is immediately reducing the quantities of the catalyst to the contractual minimum. In March 2023, the Company signed a new agreement with the supplier, and the supply of the catalyst was renewed according to the Company's requirements.

Note 26 - Contingent Liabilities and Commitments (cont.)

B. Commitments (cont.)

13. <u>Agreement for the purchase of catalyst for catalytic cracker</u> (cont.)

In accordance with the agreement, the price formula was amended in the agreement such that it will be linked to the price of natural gas in Europe and to the prices of precious metals.

C. Guarantees and documentary credit

The Company has performance guarantees in the amount of $ 9 million, mainly in favor of Noga Israel Independent System Operator Ltd. The Company has documentary credit in respect of imports of raw materials and equipment in the amount of $ 59 million.

Furthermore, the Company has guarantees in the amount of $ 7 million to third parties as security for the commitments of Paz. Paz undertook towards the Company, absolutely and irrevocably and without any limit, that for as long as these guarantees are in effect, it will indemnify the Company in respect of any amount, of any kind and type (including interest and linkage differences) the Company pays in respect of and/or in connection with the aforesaid guarantees.

Note 27 - Related and Interested Parties

A. Balances with interested and related parties

$ millions	December 31, 2023	December 31, 2022
Paz**		
Advances from Paz	-	14
Credit from Paz	-	92
Other companies in the Paz group**		
Trade receivables	*	*
Trade payables	*	*
Other payables	*	*
Shapir (see C.2)		
Trade payables	*	-
Other related parties****		
Trade receivables	*	-
Other receivables	2	2
Trade payables	1	*

B. Transactions with interested and related parties

$ millions	Year ended December 31 2023	2022	2021
Paz**			
Revenues	1,414	2,478	1,332
Cost of sales and refining	*	(3)	(3)
Selling expenses	*	*	*
General and administrative expenses***	1	1	2
Financing expenses, net	*	17	11
Other companies in the Paz group**			
Revenues	9	14	11
Cost of sales and refining	*	2	2
Financing expenses, net	*	*	*
Shapir (see C.2)			
General and administrative expenses	*	-	-
Other related parties****			
Revenues	10	13	*
Cost of sales and refining	11	8	9
Directors’ salary	*	*	*

* Less than $ 1 million.
** See C.1 hereunder
*** Including employment cost of CEO.
**** Including mainly insurance companies that are defined as interested parties pursuant to the definition in the Securities Law.

Note 27 - Related and Interested Parties (cont.)

C. Additional information

1. <u>Paz – until the spin-off date</u>

The spin-off of the Company from Paz and the listing of its shares on the Tel Aviv stock exchange was completed at the end of August 2023. As from that date, Paz and its subsidiaries are no longer related parties of the Company. See Note 26.B.2 above for information regarding credit agreements with Paz.

2. <u>Shapir</u>

2.1 Consultancy agreement

As from the spin-off date and the issuance of shares to Shapir, an agreement came into effect by which Shapir will provide to the Company consultancy services on the manner and methods of operating in the areas of investments and raising capital, business development, project management, maintenance of the power plant and assistance in the process of separating from Paz and its information systems. The scope of the agreement is $ 2 million per year.

2.2 Rent agreement

The Company has a rent agreement with Shapir by which the Company rents out to Shapir an area of 43 dunams (1 dunam = 1,000 square meters) on the Company's property that is not presently used by the refinery in its operations. As at the reporting date, the rent agreement has not yet come into effect, and Shapir has the right to decide when the rent will begin by providing the Company an advance notice of three months in writing. Shapir will receive possession of the leasehold only when the rent period begins, and it has 57 months from the issuance date of the shares to decide whether to begin the rent period. If no such notice is provided within 57 months, the rent agreement will be cancelled. The rent period, after providing the advance notice, will be 24 years and 11 months, and Shapir will have no right to shorten the period.

3. <u>Commitments with key management personnel</u>

Employment agreement with the Company's CEO

Mr. Amit Carmel began his employment with the Company on November 18, 2008. On May 2, 2020 Paz entered into the present employment agreement with Mr. Carmel, for his service as the Company's CEO in a full-time position. On August 27, 2023 Mr. Carmel was transferred to a direct employment agreement with the Company for his service as the Company's CEO, instead of his employment agreement from May 2, 2020.

The employment agreement is for an indefinite period, with each of the parties having the right to terminate the employment at an advance notice of 180 days. In respect of his term of employment with the Company Mr. Carmel is entitled to severance pay in accordance with Section 14 of the Severance Pay Law. The Company may terminate the employment relations with Mr. Carmel immediately and/or without paying severance pay, all or part, under circumstances that according to the custom in Israel permit depriving from an employee rights to an advance notice and/or to severance pay, all or part. The monthly salary of Mr. Carmel is the basis for calculating social and related benefits, including rights due to him by law.

As from January 2022, his monthly salary was NIS 90,000, linked to the known index in December 2021. As from August 2023 his monthly salary is NIS 96,990, linked to the known index in August 2023. Mr. Carmel is entitled to related benefits, such as: an advanced study fund (up to the tax-exempt ceiling), 24 days of paid vacation per year (with the possibility of accumulating for two years), sick leave according to law, a car that the Company will pay the expenses involved in its use and maintenance (fully grossed up), value of car expenses, a cellphone and landline, reimbursement of subsistence expenses and so forth. The Company will insure Mr. Carmel under an officers' insurance policy.

Note 27 - Related and Interested Parties (cont.)

C. Additional information (cont.)

3. Commitments with key management personnel (cont.)

Employment agreement with the Company's CEO (cont.)

Throughout his term of employment with the Company, Mr. Carmel is not permitted to work in any other job and in any other occupation (with or without being paid) other than with the explicit consent of the Company, in writing and in advance. Mr. Carmel may not receive in connection with performance of his duty any consideration or benefit from anyone other than the Company in accordance with his employment agreement. Mr. Carmel has undertakings towards the Company to maintain confidentiality, for non-competition, for safeguarding of intellectual property rights, and to use Company means only for performing his duty.
In the second quarter of 2023 the CEO was approved an annual bonus in the amount of NIS 612 thousand in respect of 2022.

On April 14, 2022 the general meeting of Paz approved the conditions of a special bonus to the Company's CEO in the amount of NIS 1.1 million that will be paid by Paz on the spin-off date, subject to completion of the Company's spin-off from Paz, and a commitment of the CEO to continue his service with the Company for another 12 months after the spin-off date. The bonus was paid by Paz on the spin-off date.

In May 2021 Paz granted to Mr. Carmel 20,750 unlisted options. The compensation committee and board of directors of Paz decided that on the spin-off date the options that had been granted to him by Paz and had not yet vested would be accelerated. In the financial statements for 2023 the Company recorded an expense in the amount of NIS 257 thousand in respect of the options.

As regards the annual bonus to the CEO as from the spin-off date, it was decided to set for the CEO measurable criteria for the bonus (non-discretionary) that are based on a predetermined formula on the basis of 2 to 5 of the following objectives: adjusted EBITDA, adjusted net profit, market value, milestones in realizing a strategic plan and relevant operating objectives, meeting the Company's expense budget, meeting the Company's objectives concerning safety and the environment, all as will be decided by the Company's compensation committee and board of directors. The annual bonus will not exceed 13 salaries. Prior to the issuance of these financial statements, the Company's compensation committee and board of directors approved an annual bonus for the CEO in respect of 2023 in the amount of 7 monthly salaries. The calculation of the amount was based on the CEO meeting objectives for officers pursuant to the compensation policy of Paz (that applied to him before the spin-off date), which included the Company meeting objectives that were set for it at the beginning of 2023, and on the discretion of the board of directors (up to three salaries).

Compensation and benefits to key management personnel (including directors) that are employed by the Company:

	Year ended December 31					
$ thousands	**2023**		**2022**		**2021**	
	Number of people	**Amount**	**Number of people**	**Amount**	**Number of people**	**Amount**
Short-term employee benefits	1	879	2	577	2	697
Share-based payments	1	70	1	182	1	126
Termination benefits	-	-	1	113	-	-
		949		872		823

Note 27 - Related and Interested Parties (cont.)

C. Additional information (cont.)

3. Commitments with key management personnel (cont.)

Employment agreement with the Company's CEO (cont.)

Compensation and benefits to key management personnel (including directors) that are not employed by the Company:

	Year ended December 31					
	2023		2022		2021	
$ thousands	**Number of people**	**Amount**	**Number of people**	**Amount**	**Number of people**	**Amount**
Total benefits to directors not employed by the Company	8	240	3	102	3	46

Note 28 - Functional Currency and Presentation Currency

On August 28, 2023 the spin-off of the Company from Paz was completed, and the Company's shares were listed for trade on Tel Aviv Stock Exchange Ltd. (hereinafter – "**the spin-off date**"). The spin-off led to changing the Company's functional currency from the shekel to the dollar, since the dollar is the currency that represents the economic environment of the Company when acting as an independent company in the refining industry. The change in the functional currency is accounted for on a prospective basis, as from the date of the change.

Furthermore and accordingly, the Company changed the presentation currency of its financial statements from the shekel to the dollar so that it would correspond to the new functional currency. The change in the presentation currency constitutes a change in accounting policy which was accounted for on a retrospective basis, meaning that all the Company's comparative data were translated into the dollar presentation currency, as if until the spin-off date the presentation currency had been the dollar and the functional currency had been the shekel.

As a result of the aforesaid:

- The comparative data that until then were presented in shekel, were restated and translated into dollar, in accordance with the guidance on translation of financial statements from the functional currency into the presentation currency. A reserve for translation differences was created as a result of the translation.
- All the assets and liabilities in the statement of financial position as at the spin-off date were translated according to the representative exchange rate at that date.

Note 28 - Functional Currency and Presentation Currency (cont.)

Presented hereunder are data regarding the effect of the retrospective application of the change in the presentation currency to the US dollar on the comparative data of the relevant items:

	January 1, 2021 (Audited)	
	As presented in the past in NIS	As presented in these financial statements in $
	NIS millions	$ millions
Share capital	*	*
Share premium	1,309	286
Retained earnings	458	44
Reserve from translation differences	(276)	134
Total equity	1,491	464

* Less than NIS 1 million.

	December 31, 2021 (Audited)	
	As presented in the past in NIS	As presented in these financial statements in $
	NIS millions	$ millions
Share capital	*	*
Share premium	1,309	286
Retained earnings	361	14
Reserve from translation differences	(276)	148
Total equity	1,394	448

* Less than NIS 1 million.

Note 28 - Functional Currency and Presentation Currency (cont.)

	December 31, 2022 (Audited)	
	As presented in the past in NIS	As presented in these financial statements in $
	NIS millions	$ millions
Share capital	*	*
Share premium	1,309	286
Retained earnings	546	69
Reserve from translation differences	(276)	94
Total equity	1,579	449

* Less than NIS 1 million.

Presented hereunder is information regarding the NIS/dollar exchange rate in the reporting periods:

	Exchange rate of 1$
As at January 1, 2021	3.215
As at December 31, 2021	3.11
As at December 31, 2022	3.519
Average in the year ended December 31, 2021	3.2293
Average in the year ended December 31, 2022	3.3577
Average in the eight-month period ended August 31, 2023	3.6218