OIL REFINERIES LTD

Condensed Consolidated Interim Financial Statements as at March 31, 2021

(Unaudited)

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

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<u>Contents</u>

Directors' Report on the State of the Company's Affairs for the Period ended March 31, 2021

The Board of Directors is pleased to present the Directors' Report on the State of the Company's Affairs for the period ended March 31, 2021 ("the Reporting Period"). This report is presented under the assumption that the entire interim report and the entire 2020 Periodic Report, including the description of the Corporation's business for 2020, are also available to the reader.

Chapter 1 - Description of the Company and its Business Environment

A. Bazan Group Operating Segments

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

The subsidiaries' plants (with the exclusion of Ducor, which is located in the Netherlands) are downstream facilities of the Company and they receive most or all of the required feedstock from the Company on an ongoing basis through pipelines, and return all or part of the products of their facilities to the Company, as well as the feedstock not used in their operations. This allows synergy in many segments, increasing operating efficiency and lowering costs.

B. Bazan Group Business Environment and Profitability

The outbreak of the Covid-19 pandemic in 2020 substantially impacted the Group's business environment and operating results. For further details, see Chapter 10B below.

In the fourth quarter of 2020, the structure of the Group's operating segments was modified so that the Fuels and Aromatics segments were merged into the Refining Segment and the Polymers - Carmel Olefins and Polymers - Ducor segments were merged into the Polymers Segment.

For further information see Chapter 1B to the Board of Directors Report for 2020.

Chapter 1 - Description of the Company and its Business Environment - contd.

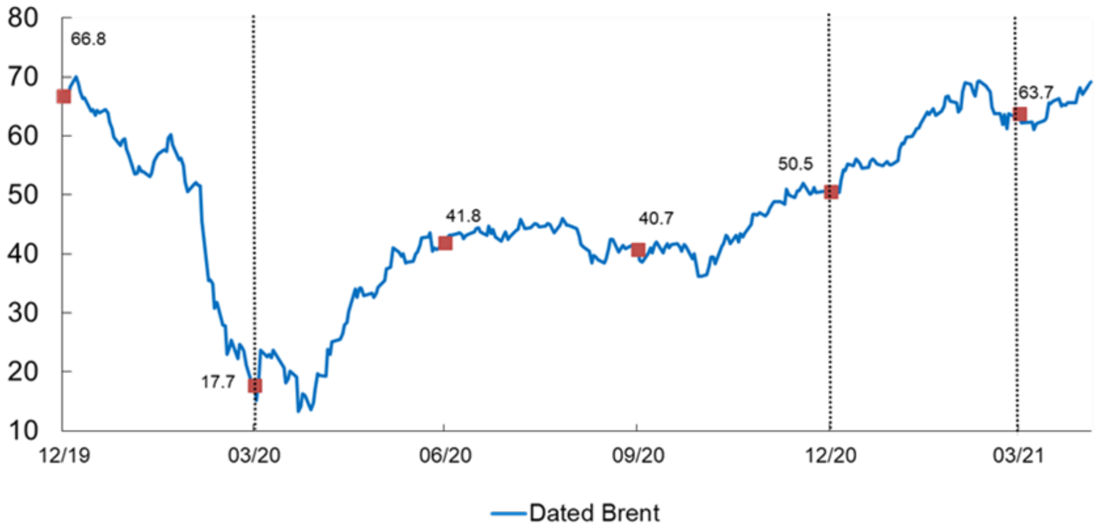
B. Business environment and Bazan Group profitability - contd.

Refinery Segment (the Company and Gadiv)

<u>Crude Oil Price</u>

Price of crude oil

Brent crude oil prices in 2020-2021 (USD/barrel)



Source: Reuters

Dated Brent[1]

Brent (USD per barrel)

1-3.2021	1-3.2020	Change
61.1	50.1	22%

In the Reporting Period the price of Brent crude increased and traded between USD 50 and USD 69 per barrel.

The Brent price was affected, among other things, by the gradual recovery in demand for oil due to certain lifting of travel restrictions and the expected rate of progress of vaccination against Covid-19, along with the ongoing OPEC+ oil production limits.

Towards the end of the quarter, the Brent price weakened in light of relatively slow progress of vaccination of the population and the imposition of further travel restrictions, particularly in Europe, and at the end of the quarter the Brent price was set at US$ 64 per barrel.

Subsequent to Reporting Date, Brent traded between USD 61 and USD 69 per barrel, with the price being affected, among other things, by OPEC's decision to revise application of the production cut agreement (increasing quotas compared with the preceding months) and the US-Iran talks regarding reaching an agreement on Iranian nuclear activities and lifting of sanctions.

Close to Reporting Date, the Brent price was fixed at USD 69 per barrel.

Chapter 1 - Description of the Company and its Business Environment - contd.

B. Business environment and Bazan Group profitability - contd.

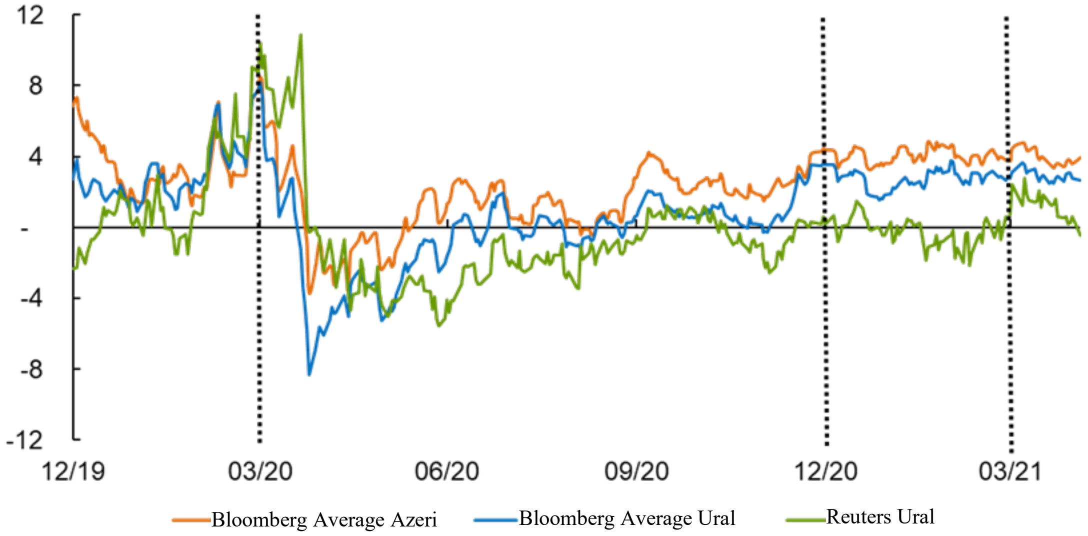
Fuels Segment - contd.

<u>The price of crude oil – contd.</u>

In the Reporting Period, the crude futures market curve was in backwardation at average of USD 0.3 per barrel per month compared to contango of USD 0.2 per barrel in the corresponding period last year.

<u>Refining margin</u>

Reuters Average Ural Margin and Bloomberg Average Ural and Azeri Margins in 2020-2021 (USD per barrel)



Source: Reuters; Bloomberg

Average Benchmark Margins (USD/barrel)

	1-3.2021	1-3.2020	Difference
Reuters Ural	- 0.2	1.9	-2.1
Bloomberg Average Ural	2.7	3.1	-0.4
Bloomberg Average Azeri	4.0	3.6	0.4

- In the Reporting Period, the average Ural margins (Reuters and average Bloomberg) declined compared with the corresponding periods last year, due to the increase in the price of Ural crude as compared to Brent crude and parallel to the lower demand for distillates than in the past, mainly diesel fuel and jetfuel, which had not yet returned to the pre-Covid outbreak level.
- In the Reporting Period, the Bloomberg Average Azeri margin began to increase compared to the corresponding period last year, mainly due to the decrease in the price of Azeri crude compared to Brent crude, despite the decrease in demand for distillates, which had not yet returned to its pre-Covid outbreak level.
- Subsequent to Reporting Date and through to shortly before publication of the Report, the average Reuters and Bloomberg Ural margins amounted to USD 1.2 and USD 2.9 per barrel. The Bloomberg Average Azeri margin amounted to USD 3.9 per barrel.

For further information regarding the Refining Segment’s refining margins see Chapter 2 section A.

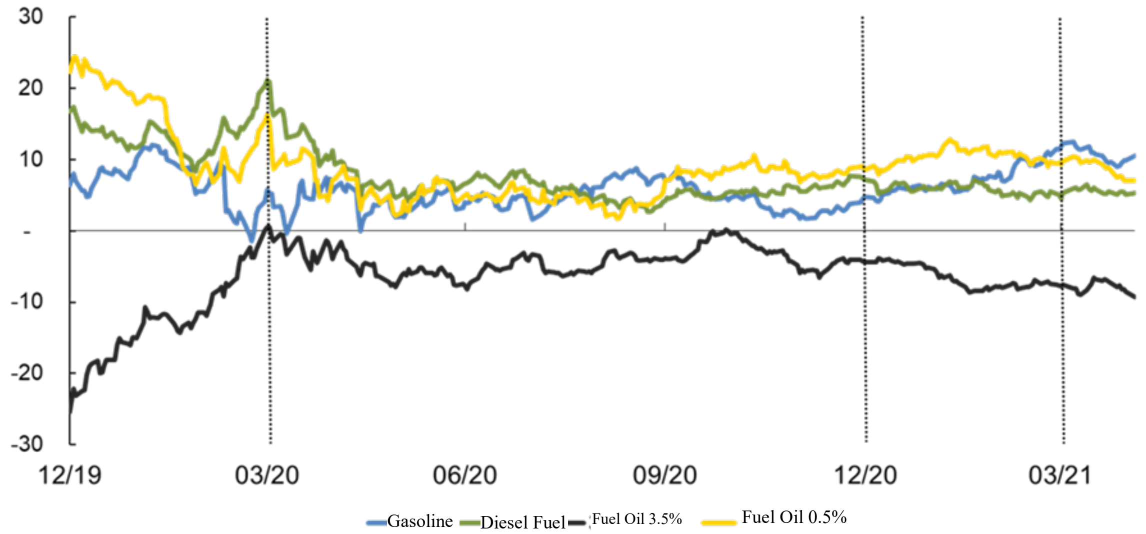
Chapter 1 - Description of the Company and its Business Environment - contd.

B. Business environment and Bazan Group profitability - contd.

Refinery Segment (the Company and Gadiv) - contd.

Refining margins - contd.

Mediterranean transport diesel fuel (1), gasoline (2), 3.5% fuel oil (3) and 0.5% fuel oil (4) compared with Brent crude oil (5) (USD/barrel)



Source: Reuters

(1) ULSD CIF Med

(2) Prem Unl CIF Med

(3) Fuel Oil 3.5% CIF Med

(4) Fuel Oil 0.5% CIF Med

(5) Brent (Dated)

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

	1-3.2021	1-3.2020	Difference
Diesel fuel (1)	5.8	13.5	-7.7
Gasoline	7.2	7.0	0.2
3.5% Fuel oil (2)	-6.5	- 12.3	5.8
0.5% Fuel oil (3)	10.4	15.1	-4.7

(1) In the Reporting Period, there was a decrease compared to the corresponding period last year, mainly due to demand that has not yet returned to its pre-Covid outbreak level.

(2) In the Reporting Period, there was an increase compared to the corresponding period last year, mainly due to a decrease in supply resulting from a decrease in refining of heavy and sulfur-rich crude oil (such as Ural), due to the IMO2020 standard coming into effect.

(3) In the Reporting Period, there was a decrease compared to the corresponding period last year, mainly due to an increase in supply of very low-sulfur 0.5% fuel oil, in the wake of the IMO2020 standard taking effect.

Chapter 1 - Description of the Company and its Business Environment - contd.

B. Business environment and Bazan Group profitability - contd.

Refinery Segment (the Company and Gadiv) - contd.

Refining margins - contd.

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

	1-3.2021	10-12.2020	7-9.2020	4-6.2020	1-3.2020
Transportation fuels (2)	1,510	1,633	1,663	1,409	1,700
Other distillates	680	642	604	632	727
Total	**2,190**	**2,275**	**2,267**	**2,041**	**2,427**

Source: Ministry of National Infrastructures, Energy and Water Resources

(1) Total domestic consumption of distillates (transportation fuel and other distillates for industry and heating) declined sharply in the Reporting Period by 10% compared to the corresponding period last year.

(2) Consumption of transportation fuels (gasoline, diesel fuel and kerosene) decreased by 11% in the Reporting Period compared to the corresponding period last year.

The decline is mainly due to the third lockdown imposed in Israel at the beginning of the first quarter of 2021, due to the consequences of the Covid-19 virus.

Refining volume

Utilization of crude oil refining plants, crude oil refining volume and HVGO processing in the Refining Segment (thousands of tons)

	1-3.2021	1-3.2020	Difference
Utilization of refining plants	79%	91%	-12%
Refining volume	1,918	2,244	-326
Volume of heavy vacuum diesel processed	280	190	90
Total	**2,198**	**2,434**	**-236**

The decrease in utilization of refining facilities in the Reporting Period, compared to the corresponding period last year, was mainly due to the adjustment of output to demand for distillates and to the refining margins that are still affected by the outcome of the Covid-19 crisis.

For further information, see Chapter 10B below.

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

	1-3.2021	% of Total	1-3.2020*	% of Total
Diesel fuel	924	43%	967	41%
Gasoline	285	13%	337	14%
Kerosene	26	1%	163	7%
0.5% Fuel oil	346	16%	389	16%
Petrochemical products (1)	232	11%	233	9%
Aromatics	144	7%	114	5%
Others (2)	194	9%	184	8%
Total	**2,151**	**100%**	**2,387**	**100%**

(*) Restated due to the changes in the operating segments, for further information see Chapter 1B above.

(1) Primarily includes: raw materials for production of polymers.

(2) Primarily includes: LPG and bitumen.

Chapter 1 - Description of the Company and its Business Environment - contd.

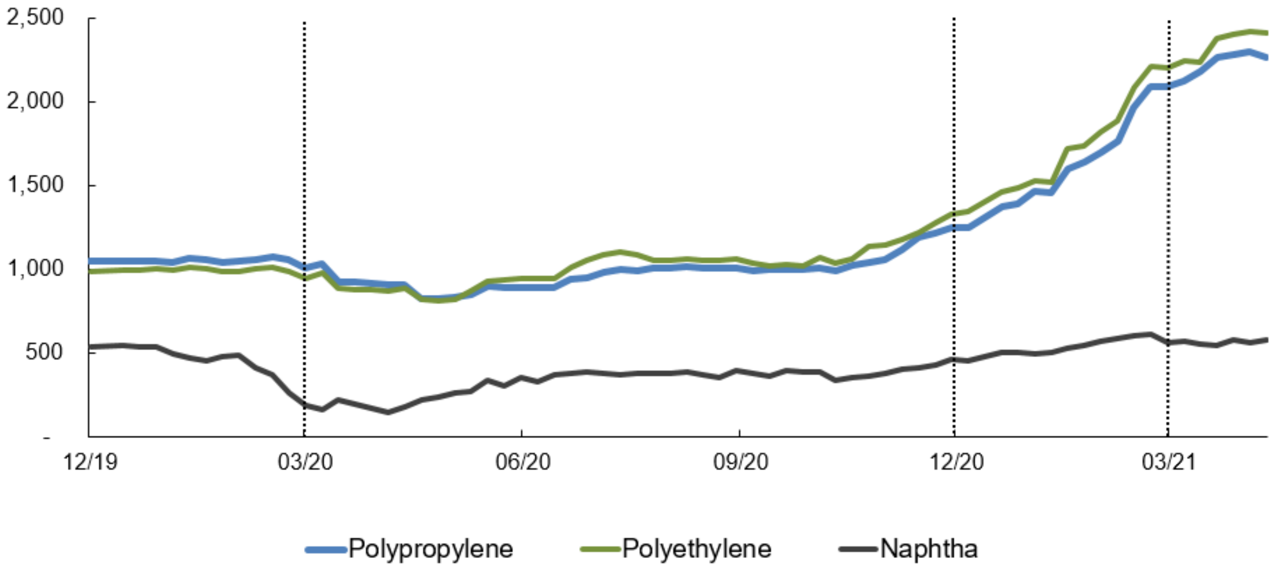
B. Business environment and Bazan Group profitability - contd.

Polymers Segment (Carmel Olefins and Ducor)

<u>Polymer and naphtha prices</u>

Polymer(1) and naphtha(2) prices in 2020-2021 (USD/ton)

Source: ICIS



(1) Polyethylene - LDPE FD NEW Spot, polypropylene - PP FD NEW Spot

(2) Naphtha CIF NEW

Average polymer and naphtha prices (USD / ton)

	1-3.2021	1-3.2020	Change
Naphtha	545	411	33%
Polypropylene	1,720	1,045	65%
Polyethylene	1,823	989	84%

- In the Reporting Period there was an increase in the price of naphtha compared to the corresponding period last year, parallel to the crude price recovery.
- Polymer prices (polypropylene and polyethylene) rose in the Reporting Period compared with the corresponding period last year, parallel to the increase in energy prices and particularly due to the decrease in polymer supply as set out in this section below.

Chapter 1 - Description of the Company and its Business Environment - contd.

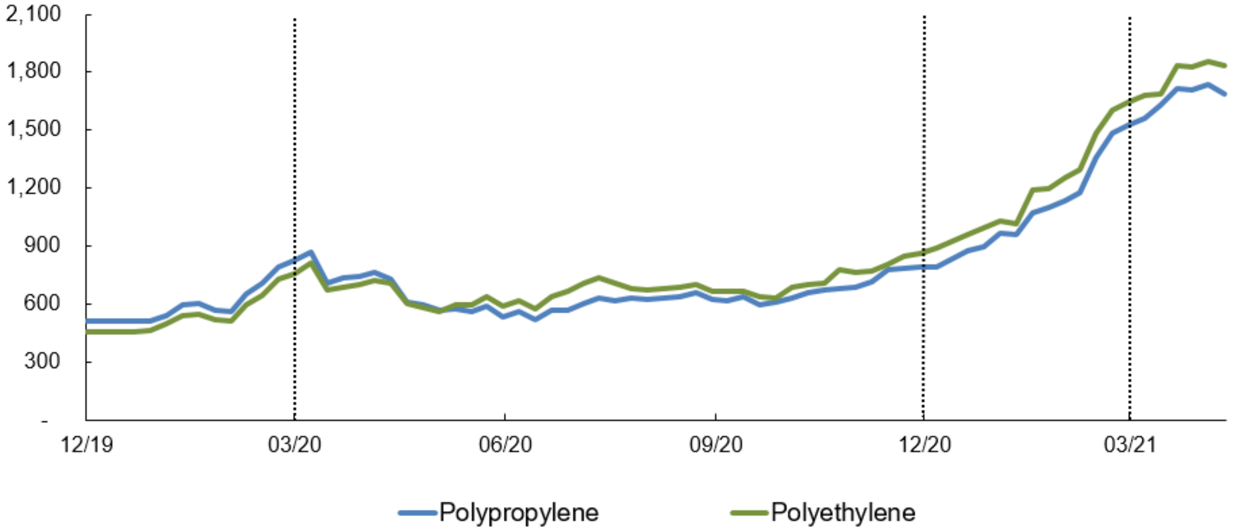
B. Business environment and Bazan Group profitability - contd.

Polymers Segment (Carmel Olefins and Ducor) - contd.

Margins

Difference between polymer and naphtha prices in 2020-2021 (USD /ton)

Source: ICIS



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

	1-3.2021	1-3.2020	Difference
Polypropylene	1,175	634	541
Polyethylene	1,278	578	700

- There was a significant increase in the Reporting Period in the difference between the average polymer price (polypropylene and polyethylene) and the average naphtha price compared to the corresponding period last year, mainly as a result of the decrease in supply of polymers due to the shutdown of production facilities in the US in the wake of the winter storms, in Europe and the Middle East, alongside an increase in demand from the Asian market.

Polymer output volume (thousand tons)

	1-3.2021	1-3.2020	Difference
Polymers	169	170	-1

Chapter 2 - Results of Bazan Group operations in the first quarter

A. Results of Bazan Group operations

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

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

Consequently, the term "adjusted consolidated EBITDA" refers to the adjusted EBITDA in the Refinery segment for the Fuels unit only, together with the reported EBITDA in the Group's other operating segments.

	1-3.2021	1-3.2020	Change
Revenue	1,277	1,416	(10%)
Reported EBITDA	**129**	**(108)**	**219%**
Depreciation	(38)	(49)	(22%)
Other expenses, net (1)	(8)	(6)	33%
Operating profit (loss)	**83**	**(163)**	**151%**
Financing expenses, net (2)	(16)	(8)	100%
Income tax (3)	(12)	25	148%
Net income (loss)	**55**	**(146)**	**138%**
Adjusted in the Refining Segment (*)	(55)	108	
Adjusted EBITDA	**74**	**–**	**100%**
Adjusted operating profit (loss)	**28**	**(55)**	**151%**
Adjusted net income (loss)	**–**	**(38)**	**100%**

(*) For further information about the adjustment components, see section B3 below.

(1) Including amortization of excess cost

(2) Principal changes in financing expenses, based on financial analysis (USD millions):

	1-3.2021 compared to 1-3.2020
Net financing expenses in the corresponding period last year	**8**
Exchange differentials	9
Others	(1)
Total change	**8**
Net financing expenses in Reporting Period	**16**

(*) It should be noted that the Group is exposed to changes in the LIBOR interest, as set out in Note 30D to the annual financial statements.

(3) Mainly due to an increase in pre-tax profit in the Period.

Chapter 2 - First Quarter Results of Bazan Group Operations - contd.

B. Results of Bazan Group Operations - contd.

Breakdown of the consolidated adjusted EBITDA by operating segments (USD millions):

	1-3.2021	1-3.2020*	Change
Refining Segment	12	(31)	43
Polymers Segment	59	20	39
Others and adjustments	3	11	(8)
Total	**74**	**–**	**74**

	1-3.2021	10-12.2020	7-9.2020*	4-6.2020*	1-3.2020*
Refining Segment	12	1	(38)	45	(31)
Polymers Segment	59	36	30	36	20
Others and adjustments	3	2	8	1	11
Total	**74**	**39**	**–**	**82**	**–**

Refining margin (USD/barrel)

	1-3.2021	10-12.2020	7-9.2020*	4-6.2020*	1-3.2020*
Adjusted refining margin - Refining Segment**	4.3	4.3	1.3	6.5	1.7
Reuters Ural Margin	(0.2)	(0.1)	(2.0)	(0.5)	1.9
Bloomberg Average Ural Margin	2.7	1.1	–	(2.3)	3.1
Bloomberg Average Azeri Margin	4.0	2.7	1.2	0.4	3.6

(*) Restated due to the changes in the operating segments, for further information see Chapter 1B above.

(**) For further information about the adjustment components in the Reporting Period, see section B3 below.

B. Analysis of First Quarter Results

1. Turnover of sales to external customers, by operating segment*

	Sales turnover USD million		Distribution of sales		Average prices of the product mix (USD / ton)	
	1-3.2021	1-3.2020**	1-3.2021	1-3.2020**	1-3.2021	1-3.2020**
Refining (1)	1,031	1,196	80%	85%	513	525
Polymers (2)	239	202	19%	14%	1,486	1,124
Others	7	18	1%	1%		
Total	**1,277**	**1,416**	**100%**	**100%**		

(1) A decrease in price and decrease in sales volume due to the effects of the Covid-19 pandemic.

(2) Primarily an increase in polymer prices parallel to the decrease in the price of crude oil.

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

(**) Reclassified due to the changes in the operating segments, for further information see Chapter 1B above.

Chapter 2 - First Quarter Results of Bazan Group Operations - contd.

B. Analysis of First Quarter Results - contd.

2. Consolidated adjusted EBITDA by the operating segments

Breakdown of the main causes for the decrease in the adjusted consolidated EBITDA for the operating segments in the Reporting Period compared to the corresponding period last year.

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

Increase (decrease)	Refining	Polymers	Others and adjustments	Consolidated
Adjusted EBITDA January-March 2020*	**(31)**	**20**	**11**	**−**
Margin/contribution (1)	41	49	(8)	82
Sales volume	(3)	(5)	−	(8)
Operating expenses (2)	5	(5)	−	−
Total change	**43**	**39**	**(8)**	**74**
Adjusted EBITDA January-March 2021	**12**	**59**	**3**	**74**

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

(2) Includes fixed, production, general and administrative. The change is mainly due to cancellation of the provision for the PA balance as set out in Note 8E to the financial statements, and on the other hand, an increase in authorization fees due to an increase in profitability and the effect of the appreciation of the NIS against the USD for NIS costs.

(*) Restated due to the changes in the operating segments, for further information see Chapter 1B above.

Chapter 2 - First Quarter Results of Bazan Group Operations - contd.

B. Analysis of First Quarter Results - contd.

3. Adjustment components in the Refining Segment

Breakdown of adjustment components in the Refining Segment (for the Fuels unit) and their effect on the EBITDA (USD millions):

		1-3.2021	1-3.2020*
Reported EBITDA in the Refining Segment		**67**	**(139)**
Effects of timing differences (1)		(56)	83
Effect of adjusting value of inventory to market value, net		1	16
Effect of changes in fair value of derivatives and disposals		–	9
Total adjustments (2)		**(55)**	**108**
Adjusted EBITDA in the Refining Segment		**12**	**(31)**
Refining margin	**Adjusted margin (USD/barrel)**	**4.3**	**1.7 (3)**
Benchmark margins	**Reuters Ural margin (USD/barrel)**	**(0.2)**	**1.9**
	Bloomberg Average Ural margin (USD/barrel)	**2.7**	**3.1**
	Bloomberg Average Azeri margin (USD/barrel)	**4.0**	**3.6**

(1) As at Reporting Date, the volume of inventory that is not hedged with contracts is 480 thousand tons.

(2) As defined in the Company's Board of Directors' Report for 2020.

(3) In the first quarter of 2020, the adjusted refining margin of the Fuels unit was USD 0.5 per barrel.

(*) Restated due to the changes in the operating segments, for further information see Chapter 1B above.

4. Net income (loss)

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

Net income 1-3.2020	**(146)**
Change in reported EBITDA	237
Change in depreciation expenses	11
Change in net financing expenses	(8)
Change in tax expenses	(37)
Other	(2)
Net income 1-3.2021	**55**

Chapter 3- Analysis of Financial Position (Balance Sheet)

USD Millions

	March 31, 2021	December 31, 2020	Change	Explanation
Trade and other receivables	505	402	26%	Mainly due to an increase in trade receivables in the amount of USD 64 million, resulting mainly from an increase in the price of products and a decrease in discounting in the amount of USD 17 million, and by offsetting the repayment by the Palestinian Authority's debt (for further information see Note 8E to the financial statements), and an increase in other receivables of USD 39 million, mainly due to an increase in VAT institutions.
Inventories	612	355	72%	Mainly due to an increase in volume and price
Fixed assets	2,202	2,227	(1%)	
Trade, other payables and provisions	1,158	977	19%	Mainly due to an increase in trade payables in an amount of USD 204 million as a result of the increase in price and volume, and on the other hand a decrease in other payables in an amount of USD 27 million, which is mainly due to a decrease in advance payments from customers.
Long term bank loans and debentures (including current maturities)	1,511	1,497	1%	Mainly due to the issue of Debentures (Series L) in the amount of USD 43 million and receipt of a loan in the amount of USD 30 million, less repayments of principal on debentures and loans in the amount of USD 33 million and exchange rate differentials (*) amounting to USD 23 million.
Equity	1,135	1,080	5%	Mainly with respect to net profit for the period in the amount of USD 55 million.
Shareholders equity to balance sheet ratio	27%	28%		

(*) Against the issue of NIS debentures, principal and interest swap transactions were executed and accordingly, the effect of debenture price differentials that were mostly offset.

Chapter 4 - The Group's Liquidity Analysis

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

March 31, 2020	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
518	383	393	442	333

Current ratio

The current ratio at March 31, 2021 is 1.38 and as at December 31, 2020 it was 1.32.

Accounting Cash Flows* for January - March 2021 (USD millions)

	1-3.2021
	USD million
Cash and deposits as at December 31, 2020	**814**
Cash flow for current operations (1)	(42)
Interest paid, net	(19)
Acquisition of property, plant & equipment	(21)
Repayment of long-term loans and debentures	(33)
Receipt of long-term loans and issue of debentures, net of capital raising costs (2)	73
Payment of liability for lease	(5)
Other	1
Cash and deposits as at March 31, 2021	**768**

(*) Based on the presentation in the financial statements.

(1) Negative cash flow for current operations is mainly due to an increase in working capital. For further information, see the Statements of Cash Flows in the financial statements.

(2) For further information, see Note 6A to the financial statements.

Chapter 5 - Total credit from financial institutions

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

Total net financial debt

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Short-term borrowings	–	2	7	3	254
Bank loans (1)	473	453	466	473	364
Debentures (1)	1,068	1,070	987	972	1,035
Liquid financial assets (2)	(768)	(814)	(637)	(540)	(718)
Hedging transactions on debentures (3)	(35)	(58)	(21)	(16)	(16)
Total net financial debt	**738**	**653**	**802**	**892**	**919**

(1) Including current maturities Displayed in accordance with adjusted par value (without interest payable).

(2) Including cash and cash equivalents and short-term deposits.

(3) Based on the Group's hedging policy, principal and interest swap transactions were carried out against the issuance of NIS bonds. The transactions are presented concurrently with the presentation of the debentures, at their adjusted par value (without interest receivable/payable), less or plus the related deposits.

For further information regarding the Group's secured short-term credit facilities for 2021, see Note 13A2 to the annual financial statements. As at March 31, 2021, the Group has unutilized secured credit facilities in the amount of USD 379 million (utilization is for letters of credit and guarantees only).

Movement in Financial Debt, net

	1-3.2021
	USD million
Net Cash as at December 31, 2020	**653**
Cash flow for current operations (*) (less change in discounting and interest-bearing payables)	38
Change in discounting and interest-bearing payables	4
Interest paid, net	19
Acquisition of property, plant & equipment	21
Payment of liability for lease	5
Other	(2)
Net Debt as at March 31, 2021	**738**

(*) Negative cash flow for current operations is mainly due to an increase in working capital. For further information, see the Statements of Cash Flows in the financial statements.

Financial leverage

	March 31, 2021	December 31, 2020
Financial leverage (*)	3.8	5.4

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

Average volume of sources of finance in the Reporting Period

Long-term loans and debentures (including current liabilities, at par value and without raising costs) of USD 1,532 million. The average trade receivables amounts to USD 403 million and the average trade payables amounts to USD 850 million.

Chapter 6 - Exposure to market risk and risk management methods

In the Reporting Period there were no significant changes in market risks to which the Company is exposed, in the policies for managing these risks and in those charged with managing them compared with the Directors' Report on the State of the Company's Affairs for the period ended December 31, 2020, other than as stated in Note 8F to the financial statements regarding the risk management policy for polymer margins.

Chapter 7 - Corporate Governance

There was no change in the minimum required number of directors with accounting and financial expertise, the minimum number of independent directors required by law and disclosure regarding the internal auditor of a reporting corporation, with regard to the description in the Board of Directors’ Report on the state of the Company’s business affairs for the period ended December 31, 2020.

Chapter 8 - Disclosure of financial reporting

A. Additional information contained in the auditors’ report to shareholders

Without qualifying their conclusions, the auditors of the Company draw attention to:

The provisions of Note 5A(1) to the financial information (including by way of reference to Note 20A(2) and (4) to the annual financial information) with regard to legal, administrative and other proceedings, other contingencies and laws and regulations relating to environmental protection which, based on, among others, the opinions of their legal counsels, the managements of the Company and its subsidiaries believe that it is not possible at this stage to assess the foregoing impact on the operating results and financial position, if any, and therefore no provision regarding this matter was included in the financial information.

B. Use of estimates and judgments

For information concerning the use of estimates and discretion, see Note 2B to the financial statements.

C. Definition of insignificant transactions in the Company’s financial statements

In the Reporting Period there were no changes with regard to the disclosure given in this regard in the 2020 Periodic Report.

Chapter 9 - Details of outstanding debentures

In the Reporting Period, there were no changes in the details of the existing series of debentures issued by the Company and offered to the public under a prospectus, in the details of the debenture trustees, in the conditions for call for immediate redemption of the debentures, in the Company's compliance with these conditions, and in the collateral for the debentures as described in the Directors' Report on the State of the Company's Affairs for the period ended December 31, 2020 and in the notes to the financial statements for that year, and particularly to the ratification of the Company’s rating by Maalot (S&P) to ilA- with negative outlook, and the expansion of Debentures (Series L), as set out in Note 6A to the financial statements.

For further information regarding the financial criteria applicable to the Company, including the letter of waiver signed in December 2020 with the banks, see Note 6B to the financial statements.

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

Chapter 10 – Material events in and subsequent to the reporting period

A. For further information see Notes 5, 6 and 8 to the financial statements.

B. Effect of the Covid-19 Pandemic on the Group's Business Operations

In January 2020, the COVID-19 pandemic broke out, and as at the date of approval of the Report, it is still spreading throughout the world. Since the outbreak of the COVID-19 pandemic, economic activity in many regions, including in Israel, has declined significantly, and there is concern about the continued moderation of global and local economic activity for long periods.

As part of dealing with the Covid-19 outbreak and in attempting to stop it from spreading, various countries are continuing to adopt measures for limiting congregation and mobility of people, alongside various reliefs aiming to minimize damage to economic activity and to gradually restart the economy, which may result in further damage to economic activity in general, and to the energy and refining sector in particular.

As at the date of approval of the Report, it is not possible to assess which stricter measures will be imposed and/or which restrictions on mobility, congregation of people, and opening of businesses will be lifted, and how and when they will be implemented, the pace of the campaign to vaccinate the population and the efficacy of the vaccines in general and over time, and how they will affect the scope and duration of the Covid-19 crisis.

1. Global Business Environment

Price of crude oil

For further information regarding developments in the price of oil during and subsequent to the Reporting Period, see Chapter 1B above.

Global demand for transportation fuels[1]

For information concerning the demand for transportation fuels in the Reporting Period, see Chapter 1B above and regarding the forecasts for the recovery in demand, especially for gasoline, diesel fuel and jetfuel to pre-Covid outbreak levels, see Chapter 10B1 of the Board of Directors' Report for 2020. As at the date of approval of the Report, there has been no material change in the foregoing forecasts.

Utilization of Refineries Worldwide[1]

For information regarding forecasts for returning to customary utilization rates before the Covid-19 pandemic, see Chapter 10B1 of the Board of Directors' Report for 2020. As at the date of approval of the Report, there has been no material change in the foregoing forecasts.

The reference in this section to the Company's assessments of future developments in the global and local economic environment, is forward-looking information as defined in section 32A of the Securities Law. Such developments and implications are not under the Company's control, are uncertain and are based on information that the Company has as at the date of approval of the Report. If the global crisis deepens and continues over time, this may cause a significant adverse effect on the demand, supply and price forecasts, as these are included in this section and also lead to a significant deterioration in the results of the Company's operations, including its financial ability to cope with such event as set out below.

1 The macroeconomic data set out in this paragraph are based on various forecasts including those of IHS Markit in March 2021.

Chapter 10 – Material events in and subsequent to the reporting period

B. Effect of the Covid-19 Pandemic on the Group's Business Operations – contd.

2. Effect of the Covid-19 Pandemic on the Group's Business Operations in the first quarter of 2021 through to close to the date of approval of the Report

A. Local market demand for transportation fuels

In the first quarter of 2021, there was an 18% decrease in the sales volume of the Company's products in Israel compared to the corresponding quarter last year, partly due to the country going into the third shutdown. Most of the decrease was in jetfuel sales (decrease of 77%), and in gasoline and diesel fuel sales (decrease of 14% and 17%, respectively), compared to the corresponding quarter last year.

In April 2021 and based on orders for May 2021, an increase is expected of 28% in the sales volume of the Company's products in Israel compared to the corresponding period last year, mainly due to the lifting of travel restrictions. Most of the increase was in gasoline sales (increase of 44%), and in jetfuel and diesel fuel sales (increase of 40% and 16%, respectively), compared to the corresponding period last year.

It should be noted that as at the date of approval of the Report, as a rule, there has been no significant decrease in the sales volume of fuel products in the export markets in which the Group operates.

B. Scope of production

For information concerning the utilization of the refinery facilities in the first quarter of 2021, see Chapter 1B above. It should be noted that the Company regularly reviews the need to adjust production volumes, and if possible, the product mix, the scope of demand and market margins. In addition, if necessary, the Company reduces the volume of gasoline it imports, diverts certain sales from the domestic market to export markets, and adjusts its inventory levels.

C. Refining margin

For further information concerning refining margins in and subsequent to the Reporting Period, see Note 1B above.

D. Fixed costs and investments

For further information see Chapter 10B2d to the Board of Directors Report for 2020. As at the date of approval of the Report, the scope of capital investments for 2021 is expected to amount to USD 120 million, following consolidation of the planned maintenance work at the FCC facility with the periodic maintenance of this facility and at all of Carmel Olefins facilities planned for the first half of 2022.

E. Availability of human resources

For further information see Chapter 10B2e to the Board of Directors Report for 2020.

Chapter 10 – Material events in and subsequent to the reporting period

B. Effect of the Covid-19 Pandemic on the Group's Business Operations – contd.

2. Effect of the Covid-19 Pandemic on the Group's Business Operations in the first quarter of 2021 through to close to the date of approval of the Report – contd.

F. Liquidity and financial robustness

For further information see Chapters 10B2f and 10B3e to the Board of Directors Report for 2020.

1. As at March 31, 2121, the Group's net financial debt amounts to USD 738 million. For further information regarding debentures issued and a long-term bank loan taken in the reporting period in a total amount of USD 73 million, see Note 6A to the financial statements.
2. Financing sources of working capital - for further information, see Notes 8A and 8B to the financial statements.
3. As at March 31, 2021, the Group has cash balances and deposits amounting to USD 768 million. In addition, as at March 31, 2021, the Company has unutilized secured credit facilities in the amount of USD 379 million.
4. For information concerning the Company's rating by Maalot S&P in the Reporting Period, see Note 6A to the financial statements.

3. The Group's estimates for the period from date of approval of the Report through to the end of the second quarter of 2021

A. Demand for distillates

As set out above, as at publication of this Report, in the second quarter of 2021 demand for the Company’s fuels, particularly jetfuel, will continue to recover. This assessment is based on significant uncertainty that depends, inter alia, on the continued spread of the Covid-19 pandemic and the pace and effectiveness of vaccinating the population globally, including in Israel, and the measures taken so far and that may result from them, and further consequences of the economic crisis.

With regard to exports, based on the Company’s current estimates, it does not expect any difficulty in selling its fuel products to the export markets in which the Group operates.

B. Refining margin

Close to the date of approval of the Report, the Reuters Ural and Bloomberg Average Ural and Average Azeri margins are minus USD 0.4, USD 2.6 and USD 4.0 per barrel, respectively.

It is extremely difficult to estimate refining margins for the rest of the quarter, as these are affected by frequent changes in global crude oil prices and refining margins, which are substantially affected, particularly at this time, by the scope of global demand.

C. Refining volume

If refining margins remain at their current level in May-June, the rate of utilization of Company's refining facilities in the second quarter of 2021 could be 80% -75% given the CCR malfunction as described in Note 8G to the financial statements.

D. Fixed costs and investments

The Company continues and will continue to act to reduce the scope of investments (CAPEX) as set out in section 2D above and the scope of fixed costs that are not essential at this time.

Chapter 10 – Material events in and subsequent to the reporting period

B. Effect of the Covid-19 Pandemic on the Group's Business Operations – contd.

3. The Group's estimates for the period from date of approval of the Report through to the end of the second quarter of 2021 – contd.

E. Liquidity and financial robustness

1. Rescheduling of long-term debt - the Group considers ensuring its financial robustness and liquidity as one of its main objectives, especially at this time of significant uncertainty. The Group continuously monitors developments in this area, including in the capital markets and the banking system, and if it considers that there are opportunities, they will be reviewed taking into account all the relevant considerations.
2. The Company estimates that, other than in unreasonable stress scenarios, it is expected to meet the financial criteria set in the financing agreements with the banks and the deeds of trust for the debentures.
3. Based on the Group's cash flow forecast for the coming quarters, based on various profitability scenarios that are derived, among others, from market forecasts based on estimates of the rate and effectiveness of vaccinating the population against Covid-19, as set out in section 1 regarding the global business environment, the cash balances it has in hand, further rescheduling of the long term debt in 2021 and other assumptions as set out above, the Company estimates that it has the financial resources necessary to finance all of its needs, including for meeting its existing and expected liabilities.

The above reference to the Company's assessments regarding its financial position and liquidity and its assessment that it has the financial resources necessary to finance all of its needs, depending on the impact of future developments in the global and local economic environment, and especially projected changes in the refining margin, are forward-looking information as defined in section 32A of the Securities Law. Such developments and impacts are not under the Company's exclusive control, are uncertain and are based on information that the Company possesses as at the date of approval of the Report and on various scenarios and assumptions, the main ones as set out above. If the global crisis deepens and if it lasts for a long time and if there is material deviation from the assumptions underlying the Company's assessments, as aforesaid, as well as the rate of Covid-19 spreading and the efficacy of the vaccines and pace of inoculation of the population in Israel and worldwide, may lead to a significant deterioration in the results of the Company's operations, including a change in its assessment that it has sufficient financial resources to finance all its needs as aforesaid, and its financial ability to cope with such event.

4. The Group's estimates for the second half of 2021 onwards

For further information see Chapter 10B4 to the Board of Directors Report for 2020.

As at the date of approval of the Report, the Company is unable to estimate the duration and/or possible effects of the continuation of the Covid-19 pandemic on the results of the Group's operations.

The reference in this section to the Company's assessments of future developments in the second half of 2021 onwards in the global and local economic environment, as well as to the possible implications of these developments on the Group's operations, is forward-looking information as defined in section 32A of the Securities Law. Such developments and implications are not under the Company's control, are uncertain and are based on information that the Company has as at the date of approval of the Report. If the global crisis deepens and continues over time, this can lead to a significant deterioration in the results of the Company's operations, including its financial ability to cope with the event.

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

Ovadia Eli **Chairman of the board of directors**	**Moshe Kaplinsky Peleg** **CEO**

May 6, 2021

Revision of the Description of the Company's Businesses in the Periodic Report as at December 31, 2020

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

During and subsequent to the Reporting Period, there were no significant changes or new events in the Company's business that do not appear in other chapters to the financial statements or in the Board of Directors Report, other than as follows:

1. Further to that stated in section 1.7.14.6 of the chapter on the Description the Company's Businesses, the deadline for submitting application for a further extension of the conditional power generation permit expired on April 30, 2021, when the Company decided not to apply for such extension.

2. Further to that stated in section 1.10.1 of the chapter on the Description the Company's Businesses, subsequent to Reporting Date, the Haifa Municipality and the Company signed a memorandum of understanding with regard to the demolition of the old (white) cooling stack that collapsed.

3. Further to the provisions of section 1.10.2 of the chapter on the Description the Company's Businesses, after reviewing all the relevant considerations (in particular safety, environmental, operational, business and financial considerations), on April 14, 2021, the Company decided to delay the scheduled shutdown in the second quarter of 2021 of the FCC facility for replacing essential components until the first half of 2022 and to carry out the foregoing work at the same time as the planned periodic maintenance for this facility and all of Carmel Olefins facilities.

4. 4. Further to that stated in section 1.10.8 of the chapter on the Description the Company's Businesses, subsequent to Reporting Date, the draft recommendations of the CEOs Committee for the Development and Promotion of Haifa Bay were published. For further information, see Note 5C to the financial statements.

5. Further to that stated in section 1.15.6 of the chapter on the Description the Company's Businesses, on April 18, 2021, the Ministry of Energy published a Roadmap for a Low-carbon Economy by 2050. The purpose of this document is to present an outline for a long-term policy to prepare the infrastructure for changing the Israeli energy economy, while meeting the need to reduce greenhouse gas emissions. The document is part of a broad government process to formulate a vision for the transition to a low-carbon economy in Israel by 2050. On April 19, 2021, the Ministry of Environmental Protection published a Memorandum of the Climate Law, 2021. The Group is studying these two documents and their possible effects on its operations. As at the date of approval of the Report, it is not possible to assess the impact of these documents, if any, on the operations of the Group companies.

Somekh Chaikin
7 Nahum Het Street,
PO Box 15142
Haifa 3190500
04-861 4800

Auditors Report to the Shareholders of
Bazan Ltd.

Introduction

We have reviewed the accompanying financial information of Bazan Limited ("the Company") and its subsidiaries (“the Group"), including the condensed consolidated statement of financial position as at March 31, 2021 and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended. The board of directors and the management are responsible for preparation and presentation of the financial information for this interim period in accordance with IAS 34 - Interim Financial Reporting, and are also responsible for preparation of the interim financial information for this period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express an opinion on the financial information for this interim period based on our review.

Review scope

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

Conclusion

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

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

Emphasis of matter (drawing attention)

Without qualifying our conclusion, we draw attention to Note 5A(1) to the financial information (including by way of reference to Note 20A(2) and (4) to the annual financial statements) regarding legal, administrative and other proceedings, other contingencies, and laws and regulations relating to environmental quality. Based, among other things, on the opinion of the legal counsel of the Company and its subsidiaries, the managements of the Company and the subsidiaries believe that, at this stage, it is not possible to assess the effect of the aforesaid on the operating results and the financial position, in any, and therefore no provisions for the aforesaid were included in the financial information.

Somekh Chaikin
Certified Public Accountants

May 6, 2021

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

Somekh Chaikin
7 Nahum Het Street,
PO Box 15142
Haifa 3190500
04-861 4800

Attn.
The board of directors of Bazan Ltd. (“the Company”)

To whom it may concern,

Re: Letter of consent in connection with the shelf prospectus of Bazan Ltd. dated November 2018

We hereby inform you that we agree to the inclusion (including by way of reference) of our statements set out below in connection with the shelf prospectus of November 2018.

1. Review report of the auditor of May 6, 2021 on the Company's condensed consolidated financial information as at March 31, 2021 and for the three months then ended.

2. Review report of the auditor of May 6, 2021, on the Company's condensed separate financial information as at March 31, 2021 and for the three months then ended in accordance with Regulation 38D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

Yours sincerely,

Somekh Chaikin
Certified Public Accountants

Haifa, May 6, 2021

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

	March 31, 2021	March 31, 2020	December 31, 2020
	(Unaudited)		(Audited)
Current assets			
Cash and cash equivalents	762,194	707,062	809,701
Deposits	6,234	12,301	4,493
Trade receivables	434,852	495,028	370,510
Other receivables	69,772	32,710	31,009
Financial derivatives	7,238	23,973	6,270
Inventory	611,632	321,159	354,678
Total current assets	**1,891,922**	**1,592,233**	**1,576,661**
Non-current assets			
Loan to Haifa Early Pension Ltd.	31,856	34,163	38,013
Long term loans and receivables	16,387	14,738	19,056
Financial derivatives	38,130	19,258	59,840
Fixed assets, net	2,033,431	2,143,504	2,053,843
Right-of-use assets, net	146,545	156,234	149,578
Intangible assets and deferred expenses, net	22,062	24,691	23,033
Total non-current assets	**2,288,411**	**2,392,588**	**2,343,363**
Total assets	**4,180,333**	**3,984,821**	**3,920,024**

Ovadia Eli **Chairman of the Board of Directors**	**Moshe Kaplinsky Peleg** **CEO**	**Ana Berenshtein** **CFO**

Approval date of the condensed consolidated interim financial statements: May 6, 2021

The attached notes are an integral part of the condensed consolidated interim financial statements.

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

	March 31, 2021	March 31, 2020	December 31, 2020
	(Unaudited)		(Audited)
Current liabilities			
Loans and borrowings (including current maturities)	193,908	458,474	204,368
Trade payables	952,069	644,951	748,173
Other payables	199,936	137,302	221,936
Financial derivatives	21,836	13,042	12,550
Provisions	6,092	5,591	6,774
Total current liabilities	**1,373,841**	**1,259,360**	**1,193,801**
Non-current liabilities			
Liabilities to banks, net (see Note6A)	371,538	284,151	355,594
Debentures, net (see Note 6A)	946,180	884,163	938,827
Other long-term liabilities	116,813	111,853	123,914
Financial derivatives	3,842	20,188	3,019
Employee benefits, net	65,038	53,095	67,775
Deferred tax liabilities, net	168,653	174,123	157,488
Total non-current liabilities	**1,672,064**	**1,527,573**	**1,646,617**
Total liabilities	**3,045,905**	**2,786,933**	**2,840,418**
Equity			
Share capital	807,604	807,604	807,604
Share premium	32,761	32,761	32,761
Capital reserves	11,300	(3,140)	11,747
Retained earnings	282,763	360,663	227,494
Total capital	**1,134,428**	**1,197,888**	**1,079,606**
Total liabilities and capital	**4,180,333**	**3,984,821**	**3,920,024**

The attached notes are an integral part of the condensed consolidated interim financial statements.

Bazan Ltd - Condensed Consolidated Interim Statements of Income and Other Comprehensive Income, in USD thousands

	Three months ended March 31, 2021	Three months ended March 31, 2020	Year ended December 31, 2020
	(Unaudited)	(Unaudited)	(Audited)
Revenue	1,276,670	1,416,450	4,064,030
Cost of sales	(1,163,592)	(1,544,170)	(4,076,625)
Gross profit (loss)	**113,078**	**(127,720)**	**(12,595)**
Selling and marketing expenses	(21,479)	(22,379)	(94,001)
General and administrative expenses (see Note 8E)	(3,540)	(9,554)	(45,662)
Other expenses, net	(5,047)	(3,020)	(53,159)
Operating profit (loss)	**83,012**	**(162,673)**	**(205,417)**
Financing income	7,503	18,698	1,918
Financing expenses	(23,885)	(26,828)	(113,042)
Financing expenses, net	(16,382)	(8,130)	(111,124)
Profit (loss) before taxes on income	**66,630**	**(170,803)**	**(316,541)**
Income tax income (expenses)	(11,361)	25,065	42,226
Net profit (loss) for the period	**55,269**	**(145,738)**	**(274,315)**
Items of other comprehensive income (loss) transferred to profit or loss:			
Effective share of the change in fair value of cash flow hedging, net of tax	(920)	(43,150)	(27,916)
Other, net	344	468	(278)
Other comprehensive loss for the period, transferred to profit or loss, net of tax	**(576)**	**(42,682)**	**(28,194)**
Items of other comprehensive income not transferred to profit or loss:			
Remeasurement of a defined benefit plan, net of tax	–	5,008	107
Other, net	–	410	682
Other comprehensive income for the period, not transferred to profit or loss, net of tax	**–**	**5,418**	**789**
Total other comprehensive loss for the period, net of tax	**(576)**	**(37,264)**	**(27,405)**
Comprehensive income (loss) for the period	**54,693**	**(183,002)**	**(301,720)**
Earnings (loss) per share (USD)			
Basic and diluted earnings (loss) per 1 ordinary share	**0.017**	**(0.045)**	**(0.086)**

The attached notes are an integral part of the condensed consolidated interim financial statements.

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

	Share capital	Premium on shares	Capital reserves	Capital reserves for items of other comprehensive income (loss): Transfered to profit or loss	Capital reserves for items of other comprehensive income (loss): Not transfered to profit or loss	Retained earnings	Total capital
	Three months ended March 31, 2021 (unaudited)						
Balance as at January 1, 2021 (audited)	**807,604**	**32,761**	**29,398**	**(10,850)**	**(6,801)**	**227,494**	**1,079,606**
Profit for the period	–	–	–	–	–	55,269	55,269
Other comprehensive loss for the period, net of tax	–	–	–	(576)	–	–	(576)
Total comprehensive income (loss) for the period	**–**	**–**	**–**	**(576)**	**–**	**55,269**	**54,693**
Share-based payment	–	–	129	–	–	–	129
Balance as at March 31, 2021	**807,604**	**32,761**	**29,527**	**(11,426)**	**(6,801)**	**282,763**	**1,134,428**

	Share capital	Premium on shares	Capital reserves	Capital reserves for items of other comprehensive income (loss): Transfered to profit or loss	Capital reserves for items of other comprehensive income (loss): Not transfered to profit or loss	Retained earnings	Total capital
	Three months ended March 31, 2020 (unaudited)						
Balance as at January 1, 2020 (audited)	**807,604**	**32,761**	**29,122**	**17,344**	**(7,483)**	**501,393**	**1,380,741**
Loss for the period	–	–	–	–	–	(145,738)	(145,738)
Other comprehensive income (loss) for the period, net of tax	–	–	–	(42,682)	410	5,008	(37,264)
Total comprehensive income (loss) for the period	**–**	**–**	**–**	**(42,682)**	**410**	**(140,730)**	**(183,002)**
Share-based payment	–	–	149	–	–	–	149
Balance as at March 31, 2020	**807,604**	**32,761**	**29,271**	**(25,338)**	**(7,073)**	**360,663**	**1,197,888**

The attached notes are an integral part of the condensed consolidated interim financial statements.

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

	Share capital	Premium on shares	Capital reserves	Capital reserves for items of other comprehensive income (loss)		Retained earnings	Total capital
				Transfered to profit or loss	Not transfered to profit or loss		
	Year ended December 31, 2020 (audited)						
Balance as at January 1, 2020	**807,604**	**32,761**	**29,122**	**17,344**	**(7,483)**	**501,393**	**1,380,741**
Loss for the year	–	–	–	–	–	(274,315)	(274,315)
Other comprehensive income (loss) for the year, net of tax	–	–	–	(28,194)	682	107	(27,405)
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**(28,194)**	**682**	**(274,208)**	**(301,720)**
Share-based payment	–	–	585	–	–	–	585
Expired share options	–	–	(309)	–	–	309	–
Balance as at December 31, 2020	**807,604**	**32,761**	**29,398**	**(10,850)**	**(6,801)**	**227,494**	**1,079,606**

The attached notes are an integral part of the condensed consolidated interim financial statements.

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

	Three months ended March 31, 2021	Three months ended March 31, 2020	Year ended December 31, 2020
	(Unaudited)	(Unaudited)	(Audited)
Cash flows from operating activities			
Net profit (loss) for the period	**55,269**	**(145,738)**	**(274,315)**
Adjustments to cash flows from operating activities:			
Revenue and expenses not involving cash flows (Appendix A – section A)	101,269	127,488	314,789
	156,538	**(18,250)**	**40,474**
Changes in assets and liabilities (Appendix A - section B)	(198,653)	7,574	394,522
Income tax received (paid), net	(330)	803	249
Net cash from (used in) operating activities	**(42,445)**	**(9,873)**	**435,245**
Cash flow used for investing activities			
Interest received	272	1,743	2,961
Change in deposits, net	–	76,047	76,047
Repayment of a loan from Haifa Early Pension	–	4,233	4,233
Acquisition of fixed assets including periodic maintenance	(20,577)	(28,787)	(88,158)
Other	(873)	–	(1,510)
Net cash from (used in) investment activities	**(21,178)**	**53,236**	**(6,427)**
Cash flow from financing activities			
Change in short-term credit, net	(1,713)	243,306	(8,019)
Change in deposits from customers and others, net	1,564	(21,577)	(26,411)
Interest paid	(19,132)	(15,516)	(87,679)
Derivative transactions, net	353	2,379	10,361
Receipt of long-term bank loans (see Note 6A)	30,000	–	124,095
Repayment long-term bank loans	(8,167)	(6,667)	(44,476)
Repayment of debentures, including early repayment (1)	(25,221)	(41,801)	(229,355)
Issue of debentures, net of raising costs (see Note 6A)	43,111	83,957	239,080
Payment of liabilities for lease	(4,708)	(6,454)	(22,595)
Net cash from (used for) financing activities	**16,087**	**237,627**	**(44,999)**
Increase (decrease) in cash and cash equivalents	**(47,536)**	**280,990**	**383,819**
Effect of exchange rate fluctuations on cash and cash equivalents	29	705	515
Cash and cash equivalents at beginning of period	809,701	425,367	425,367
Cash and cash equivalents at end of period	**762,194**	**707,062**	**809,701**

(1) For the year ended December 31, 2020, including early repayment of the principal of Debentures (Series D) in the amount of USD 79 million

The attached notes are an integral part of the condensed consolidated interim financial statements.

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

Appendix A: Adjustments required to present cash flows from operating activities

	Three months ended		Year ended
	March 31, 2021	March 31, 2020	December 31, 2020
	(Unaudited)		(Audited)
A. Income and expenses not included in cash flows:			
Depreciation and amortization	40,483	51,522	210,392
Other expenses, net	5,047	3,020	53,159
Inventory impairment loss (see Note 8C)	18,280	105,837	3,545
Financing expenses, net	18,290	17,441	100,495
Changes in fair value and movement in deposits for inventory derivatives and margins	7,650	(26,334)	(11,177)
Income tax expenses (income)	11,361	(25,065)	(42,226)
Other	158	1,067	601
	101,269	**127,488**	**314,789**
B. Changes in assets and liabilities			
Change in trade receivables	(65,329)	(78,462)	47,857
Change in other receivables	(31,159)	4,345	2,291
Change in inventory (without inventory impairment loss)	(275,897)	351,399	422,052
Change in trade payables	209,520	(255,672)	(158,738)
Change in other payables and provisions	(33,258)	(11,875)	75,547
Change in employee benefits, net	(2,530)	(2,161)	5,513
	(198,653)	**7,574**	**394,522**

The attached notes are an integral part of the condensed consolidated interim financial statements.

NOTE 1 – GENERAL

A. Reporting entity

Bazan Ltd. ("the Company" or "Bazan") is a company domiciled and incorporated in Israel. The Company is located in Haifa Bay and its official address is POB 4, Haifa 3100001, Israel. The Company's shares are traded on the Tel Aviv Stock Exchange ("the TASE"). The Company and its subsidiaries are industrial companies operating mainly in Israel and Holland, and are engaged primarily in the production of oil products, feedstock for the petrochemical industry, raw materials for the plastics industry, and byproducts. The facilities of the subsidiaries and the industries in Israel are integrated with those of the Company. The Company also provides water treatment and power generation services (primarily steam) to a number of industries near the Haifa refinery. The controlling shareholders in the Company are Israel Corporation Ltd. and Israel Petrochemical Enterprises Ltd.

B. The condensed consolidated interim financial statements as at March 31, 2021 include the statements of the Company and its subsidiaries (jointly: "the Group").

NOTE 2 - BASIS OF PREPARATION

A. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required in the full annual financial statements. These statements should be read together with the financial statements as at December 31, 2020 and for the year then ended ("the Annual Financial Statements"). Additionally, these statements have been prepared in accordance with the provisions in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The condensed consolidated interim financial statements were approved by the Company's board of directors on May 6, 2020.

B. Use of estimates and judgments

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 4 – SEGMENT REPORTING

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

B. For information about the change in the composition of segments as from December 31, 2020, see Note 28A to the Annual Financial Statements.

Bazan Ltd. - Notes to the Condensed Consolidated Interim Financial Statements, in USD thousands

NOTE 4 – SEGMENT REPORTING (CONTD.)

	Refining	Polymers	Total reportable segments	Others	Adjustments to consolidated	Consolidated
	Three months ended March 31, 2021 (unaudited)					
Revenue from external sources - Israel	562,475	106,701	669,176	–	–	669,176
Revenue from external sources - other countries	468,618	132,221	600,839	6,655	–	607,494
Total revenue from external sources	**1,031,093**	**238,922**	**1,270,015**	**6,655**	**–**	**1,276,670**
Revenue from inter-segment sales - Israel	68,265	283	68,548	576	(69,124)	–
Segment revenue	**1,099,358**	**239,205**	**1,338,563**	**7,231**	**(69,124)**	**1,276,670**
Reported EBITDA	**66,730**(1)	**59,396**	**126,126**	**3,074**	**(658)**	**128,542**
Depreciation and amortization	**(25,372)**	**(8,052)**	**(33,424)**	**(4,590)**	**–**	**(38,014)**
Reported EBITDA less amortization and depreciation						**90,528**
Amortization of excess cost arising on acquisition of subsidiaries						(2,469)
Other expenses, net						(5,047)
Operating profit						**83,012**
Financing expenses, net						(16,382)
Profit before taxes on income						**66,630**

(1) Adjusted EBITDA in the refining segment for the three months ended March 31, 2021: USD 11,895 thousand.

	Refining	Polymers	Total reportable segments	Others	Adjustments to consolidated	Consolidated
	Three months ended March 31, 2020 (unaudited)(*)					
Revenue from external sources - Israel	744,781	65,027	809,808	189	–	809,997
Revenue from external sources - other countries	451,762	136,560	588,322	18,131	–	606,453
Total revenue from external sources	**1,196,543**	**201,587**	**1,398,130**	**18,320**	**–**	**1,416,450**
Revenue from inter-segment sales - Israel	58,063	319	58,382	740	(59,122)	–
Segment revenue	**1,254,606**	**201,906**	**1,456,512**	**19,060**	**(59,122)**	**1,416,450**
Reported EBITDA	**(139,030)**(1)	**20,371**	**(118,659)**	**10,528**	**–**	**(108,131)**
Depreciation and amortization	**(30,561)**	**(11,680)**	**(42,241)**	**(6,437)**	**–**	**(48,678)**
Reported EBITDA less amortization and depreciation						**(156,809)**
Amortization of excess cost arising on acquisition of subsidiaries						(2,844)
Other expenses, net						(3,020)
Operating loss						**(162,673)**
Financing expenses, net						(8,130)
Loss before taxes on income						**(170,803)**

(1) Adjusted EBITDA in the refining segment for the three months ended March 31, 2020: USD (31,461) thousand.
(*) Reclassified, see section B above.

Bazan Ltd. - Notes to the Condensed Consolidated Interim Financial Statements, in USD thousands

NOTE 4 – SEGMENT REPORTING (CONTD.)

	Refining	Polymers	Total reportable segments	Others	Adjustments to consolidated	Consolidated
	Year ended December 31, 2020 (unaudited)					
Revenue from external sources - Israel	1,969,778	262,417	2,232,195	730	–	2,232,925
Revenue from external sources - other countries	1,293,122	498,386	1,791,508	39,597	–	1,831,105
Total revenue from external sources	**3,262,900**	**760,803**	**4,023,703**	**40,327**	**–**	**4,064,030**
Revenue from inter-segment sales - Israel	191,508	1,187	192,695	2,851	(195,546)	–
Segment revenue	3,454,408	761,990	4,216,398	43,178	(195,546)	4,064,030
Reported EBITDA	(85,651)(1)	121,890	36,239	23,197	(1,302)	58,134
Depreciation and amortization	(130,018)	(46,601)	(176,619)	(22,322)	–	(198,941)
Reported EBITDA less amortization and depreciation						(140,807)
Amortization of excess cost arising on acquisition of subsidiaries						(11,451)
Other expenses, net						(53,159)
Operating loss						**(205,417)**
Financing expenses, net						(111,124)
Loss before taxes on income						**(316,541)**

(1) Adjusted EBITDA in the refining segment in 2020: USD (23,380) thousand

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

A. Contingent liabilities

Further to Note 20A to the Annual Financial Statements, and in particular, to that set out below, in and subsequent to the reporting period, there were no significant changes in lawsuits, other contingent liabilities, and administrative procedures of Bazan Group , other than the following:

1. Liabilities relating to environmental quality

As set out in Note 20A2 to the Annual Financial Statements, there are legal, administrative and other proceedings against the Group companies, including civil claims and warnings

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

The Company, Carmel Olefins, and Gadiv received various warnings and summons to hearings from the Ministry of Environmental Protection for alleged violations of the emission permits, poisons permits, the permit for emission to the sea, and personal orders issued to them, including for air quality. The companies submit their responses to the Ministry for any warning and/or summons to a hearing received, as relevant.

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

For some of these proceedings, the managements of the Company and its subsidiaries believe, based on the opinion of their legal counsel, that, at this stage, it is not possible to assess their effect, if any, on the Company and its financial statements as at March 31, 2021. Provisions were not included in the financial statements for these proceedings, the effect of which cannot be assessed. For the other proceedings, the Company included provisions in immaterial amounts, which it believes adequately reflect the amounts that will more likely than not be paid.

2. Other contingent liabilities

In the reporting period, the Group companies (the Company, Carmel Olefins, Gadiv, and Haifa Basic Oils - which merged with and into the Company in 2020) received demands for payments amounting to USD 24 million (NIS 79 million, not including VAT) from the municipal water association, Mei Carmel, for payment of construction fees for water systems. The above is due to the settlement and judgment of April 7, 2019 according to which Mei Carmel’s demand for payment of the water pipeline installation levy was revoked, reserving the right of Mei Carmel to issue a demand for payment based on the construction fee method. In the opinion of the Company's management, based on the opinion of its legal counsel, the demands have no legal grounds and it is more likely than not that the Group companies will be not required to bear the costs for the demands.

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

B. Agreements, including with related parties

Further to Note 20B to the Annual Financial Statements, and in particular, to that set out below, there were no significant changes in the agreements of the Bazan Group in the reporting period, other than the following:

1. Further to Note 20B1 to the Annual Financial Statements regarding arbitration in which the Company demanded indemnification for damages it incurred due to the failure of EMG to comply with its obligations under the agreement for the purchase of natural gas of 2010, in the reporting period, the arbitration ruling was handed down, which has an immaterial effect on the Company's operating results.
2. Further to Note 27B3 to the Annual Financial Statements, in the reporting period, after approval by the Company's compensation committee and board of directors, the general meeting of the Company approved a special bonus of NIS 0.7 million for Shlomi Basson in his position as Deputy CEO and VP Human Resources, Safety, Environment, and Security, for the term of his office as Acting CEO.
3. Subsequent to the reporting date, the chairman of the Company's board of directors, Ovadia Eli, announced his intention to terminate his position as chairman of the Company's board of directors and director of the Company in the second quarter of 2021. The board of directors of the Company resolved to appoint Moshe Kaplinsky, the Company's present CEO, as a director and to appoint him as chairman of the board of directors when Ovadia Eli leaves his position. Moshe Kaplinsky will continue to serve as the Company's CEO until the date of his appointment. In addition, the Company's board of directors resolved to set up a committee to search for a CEO, who will take up the position upon the appointment of Moshe Kaplinsky as director and chairman of the board of directors.
4. Subsequent to the reporting date, the general meeting approved the compensation policy for the Company's officers for 2021-2023.

C. Other developments and events

Further to Note 20C to the Annual Financial Statements, there were no significant changes in and subsequent to the reporting period in the events and developments set out in the Note.

Further to Note 20C7 to the Annual Financial Statements regarding the activity of the inter-ministerial directors committee for the development and promotion of Haifa Bay, on April 26, 2020, the committee published its draft recommendations ("the Draft"). Below are the main recommendations in the Draft:

1. To promote, through the relevant ministries and planning institutions, and in coordination with the local Haifa Bay authorities, a comprehensive and detailed plan for Haifa Bay, which according to the report, will determine zoning of land to facilitate sustainable development of the Haifa Bay, and transform it into an area for residential use, clean industry, and a metropolitan park, reinforcing the entire metropolitan area.
2. Based on progress of the planning and rezoning, to set a government goal according to which, within a decade, all government agencies will complete preparations to discontinue operations of the petrochemical industry in Haifa Bay within this period, subject to compliance with minimum and essential energy requirements to ensure continuous performance after discontinuation of the operations, as set out in Part 4 of the Draft.

   It should be clarified that activities of the petrochemical industry may be discontinued earlier subject to full compliance with the above conditions.
3. To form a government team to negotiate with Bazan and ICL, with the aim of reaching renewed agreements regarding the possibility of changing their activities in Haifa Bay as part of the rezoning, in cooperation, while attempting to fulfill the purposes of the agreement with them, and if possible, in a way that is as compatible as possible with the needs of the employees and the interest of the companies.

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

C. Developments and other events (contd.)

4. Further to section 2 above, to promote, through the relevant ministries, including the planning institutions if required, the preparation of the energy sector for discontinuation of activity in the petrochemical industry, to ensure full functional continuity.

5. To form a government team to address the development and reinforcement of employment sectors with significant economic potential in Haifa Bay, in cooperation with the Technion – Israel Institute of Technology and other R&D-oriented entities in the metropolitan area.

6. To form a government team to prepare a solution to the temporary economic damage of some of the local authorities in Haifa Bay due to discontinuation of activities of the above industries. This, with the understanding that in the medium- to long-term, the revenue of these authorities from implementation of the plan will increase significantly compared to their revenue today.

7. To promote an agreement with the Jewish National Fund for the financing and development of a metropolitan park in the heart of the metropolis, around the Kishon River, subject to all laws.

8. To anchor the committee's recommendations in a government decision that will be submitted to the government for approval as soon as possible and will impose on all relevant government bodies detailed tasks to promote the implementation of the recommendations, while setting milestones for project progress. It is proposed that the government decision also include complementary policy measures for the economic and environmental development of Haifa Bay, as set out in the Draft.

It should be noted that the Draft is not a final and binding document, and the committee’s recommendations may be different, possibly even materially different, from the published Draft. The committee's recommendations, if and to the extent that they are formulated into a final version, and if and to the extent that they are brought to the government for discussion, will be subject to government approval. Therefore, the Company's management believes that publication of the Draft for public comments has no effect on the Group companies, their activities, or on the assumptions and estimates underlying the financial statements.

As at the reporting date, the Company is unable to estimate if and when the committee's recommendations will be brought to the government for discussion and approval, and whether it will be approved.

D. Guarantees and liens

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

NOTE 6 - BORROWINGS FROM BANKS AND OTHERS AND DEBENTURES

A. Significant events in the reporting period

1. On March 17, 2021, Maalot S&P affirmed the ilA- rating of the Company and debentures with negative outlook.
2. Further to Note 14B to the Annual Financial Statements, in the reporting period, Debentures (Series L) were expanded in an amount of USD 43 million (net of issuance costs). Concurrently with the expansion of the debentures, the Company entered into principal and interest swap transactions (including fixing the USD interest) to reduce currency and interest exposure, and elected to apply cash flow hedge accounting principles.
3. Further to Note 13A to the Annual Financial Statements, in the reporting period, the Company took out a long-term bank loan amounting to USD 30 million with an average duration of 3.5 years. The loan bears variable USD interest (LIBOR plus a margin). For the loan, the Company is subject to the same financial covenants as in the syndication agreement (for further information, see section B below).

B. Financial covenants - the Company

Further to Note 13C2 to the Annual Financial Statements, below are the financial covenants, as defined in the Note and in accordance with the letter of waiver of December 14, 2020, set out in the Note, applicable to the Company by virtue of the syndication agreement, and referring to most of its financing agreements with the banks (including long-term loans and secured short-term credit facilities), and agreements and/or actual ratios as at March 31, 2021:

	Required	Required ratio/amount	Actual ratio/amount
Consolidated adjusted equity (USD million)	>	750	1,090.6
Consolidated adjusted equity to total consolidated statement of financial position, net	>	20.0%	30.1%
Consolidated ratio (net financial debt + factoring receivables) to consolidated adjusted EBITDA	>	9.3	3.7
Consolidated principal and interest cover ratio	>	1.1	3.1
Cash flows plus the unused balance of binding credit facilities in the separate statement (USD millions)	>	250	1,062.9

In addition, as set out in Note 13C(2) to the Annual Financial Statements, as at March 31, 2021, the Company is subject to financial covenants under a long-term loan agreement and an additional waiver signed in December 2020 with a foreign bank.

As at March 31, 2021, the Company is in compliance with the financial covenants.

Further to Note 14C to the Annual Financial Statements, below are the financial covenants of Debentures (Series E, F, I, J, and L) as defined in the deed of trust, and the actual amounts and/or ratios as at March 31, 2021:

	Required	Required ratio/amount	Actual ratio/amount
Adjusted equity (USD million) (*)	>	630	1,352.9
Adjusted equity plus shareholders' loans to total consolidated statement of financial position (2)	>	15%	38.7%
Net debt divided by the average consolidated annual adjusted EBITDA	>	8	3.4
Consolidated cash and cash equivalents (USD millions)	>	50	762.2

(*) For Debentures (Series E and F), adjusted required equity is USD 600 million

As at March 31, 2021, the Company is in compliance with the financial covenants.

Bazan Ltd. - Notes to the Condensed Consolidated Interim Financial Statements, in USD thousands

NOTE 7 - FINANCIAL INSTRUMENTS - FAIR VALUE

A. Fair value of financial instruments for disclosure purposes only

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

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

	March 31, 2021			
	Adjusted par value	Carrying amount	Fair value level 1	Fair value level 2
Financial liabilities				
Marketable Debentures (Series F and I) (1)(2)	437,730	439,076	443,321	–
Marketable Debentures (Series E, J, and L) (1)(2)	630,613	623,737	630,827	–
Bank loans (3)	473,335	448,630	–	462,782
	1,541,678	**1,511,443**	**1,074,148**	**462,782**

	March 31, 2020			
	Adjusted par value	Carrying amount	Fair value level 1	Fair value level 2
Financial liabilities				
Marketable Debentures (Series F and I) (1)(2)	491,204	493,116	469,294	–
Marketable Debentures (Series D, E, and J) (1)(2)	510,112	517,654	497,414	–
Bank loans (3)	364,317	328,627	–	298,950
	1,365,633	**1,339,397**	**966,708**	**298,950**
Debentures at fair value (2):				
Marketable Debentures (Series A)	33,890	34,690	34,690	–
	33,890	**34,690**	**34,690**	**–**

	December 30, 2020				
	Adjusted par value	Carrying amount	Fair value level 1	Fair value level 2	Discount rates used for determining fair value
Financial liabilities					
Marketable Debentures (Series F and I) ((1)(2)	454,533	456,240	453,902	–	
Marketable Debentures (Series E, J, and L) (1)(2)	615,910	612,761	609,659	–	
Bank loans (3)	452,612	427,853	–	433,497	3.67% - 6.19%
	1,523,055	**1,496,854**	**1,063,561**	**433,497**	

(1) The carrying amount of the debentures is presented at amortized cost (net of raising costs and premium/discounting) and to the extent relevant after application of fair-value hedge accounting.

(2) The fair value of the marketable debentures is based on the quoted price on the TASE as at the reporting date.

(3) The carrying amount is presented net of raising costs and net of adjustments for amendments to the terms of the loans in 2018-2020, as set out in Note 13C1 to the Annual Financial Statements.

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

Bazan Ltd. - Notes to the Condensed Consolidated Interim Financial Statements, in USD thousands

NOTE 7 - FINANCIAL INSTRUMENTS - FAIR VALUE (CONTD.)

B. Fair value hierarchy of financial instruments measured at fair value

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

	March 31, 2021	March 31, 2020	December 31, 2020
Financial assets			
Derivatives used for accounting hedging (1)(2)			
cross-currency interest rate swap contracts (level 2)	42,870	21,713	66,110
Derivatives for margins (level 3)	–	5,892	–
Derivatives not used for accounting hedging			
cross-currency interest rate swap contracts (level 2)	–	1,527	–
Derivatives for margins (level 2)	–	10,463	–
Forward contracts (level 2)	2,498	3,636	–
Total assets	**45,368**	**43,231**	**66,110**
Financial liabilities			
Debentures (level 1)	–	34,690	–
Derivatives used for accounting hedging (1)(2)			
cross-currency interest rate swap contracts (level 2)	10,140	25,718	7,697
Derivatives for margins (level 3)	15,408	–	4,518
Derivatives not used for accounting hedging			
cross-currency interest rate swap contracts (level 2)	–	299	–
Derivatives for inventory (level 3)	–	7,000	–
Forward contracts (level 2)	130	213	3,354
Total liabilities	**25,678**	**67,920**	**15,569**

(1) The fair value of marketable derivatives for inventory/cash flow exposure for acquisition of inventory (basic) at the end of the inventory availability transaction, classified at level 1, is presented in the statement of financial position net of the attributable accounting amounts.

(2) In the three months ended on March 31, 2021, a profit (before tax) in the amount of USD 11 million was recognized in a hedge fund for the effective part of the change in the fair value of Brent futures. As at March 31, 2021, the balance of the hedge fund for the new availability transaction (before tax) amounts to USD 0.1 million (debit).

Below are the main assumptions used to measure the fair value of cross-currency interest rate swap contracts (level 2)

	March 31, 2021	March 31, 2020	December 31, 2020
NIS interest (used to discount the NIS component)	0.86% - (0.63%)	0.61% - (1.90%)	0% - (0.58%)
USD interest (used to discount the USD component)	0.07%-1.82%	0.07%-1.45%	0.08%-0.97%
Exchange rate (NIS/USD)	3.3	3.6	3.2

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

A. Further to Note 6B to the Annual Financial Statements regarding the factoring agreements of the Company and its subsidiaries Carmel Olefins and Gadiv, in accordance with IFRS 9, as at March 31, 2021, the Company, Carmel Olefins, and Gadiv derecognized customer debts amounting to USD 53 million (December 31, 2020, USD 72 million; March 31, 2020, an immaterial amount).

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

Assuming maximum utilization of the factoring agreements as at the reporting date, and given the crude oil price as at the dates of the sales transactions, the maximum factoring amount is estimated at USD 215 million.

B. Further to Note 15A to the Annual Financial Statements, as at March 31, 2121, trade payables with extended credit days amounted to USD 489 million (as at December 31, 2020, USD 474 million; as at March 31, 2020, USD 332 million).

The amount of suppliers' credit due to the extension of the credit days depends on the amount of crude oil purchases under the Framework Agreements, the credit days to be determined by the Company for each transaction (within the set range of days), and changes in the price of crude oil.

Assuming the Company's maximum utilization of the extended credit days in agreements with crude oil suppliers as at the reporting date, and given the crude oil price of USD 64 per barrel (the Brent price of crude oil as at the reporting date), the estimated amount of suppliers' credit under all the Framework Agreements is USD 575 million.

C. As at December 31, 2021,the Group recognized a crude oil inventory impairment loss amounting to USD 18 million, which was included under cost of sales.

D. For further information about the developments in agreements, including with related parties and other contingencies, including in environmental quality, other events, and changes in guarantees, in and subsequent to the reporting period, see Note 5.

E. Further to Note 30A to the Annual Financial Statements, in the reporting period, a provision for projected credit losses amounting to USD 8 million, attributed to trade receivables in the Palestinian Authority repaid in full in the first quarter of 2021, was cancelled. Cancellation of the provision is included under general and administrative expenses.

F. Further to Note 29D3c regarding market price risks for polymer margins, in the reporting period, the Company's board of directors, at the recommendation of the trade committee of the board of directors, approved an update to the risk management policy for polymer margins so that future contracts on naphtha against fixing product prices to customers will remain at a scope that does not exceed 25% of Carmel Olefins' sales in the next 12 months and swap transactions together with naphtha contracts will account for up to 40% of Carmel Olefins' sales in the next 12 months. In addition, the swap transactions will be performed for a period of up to 24 months.

G. Subsequent to the reporting period, there was a malfunction in the Company's continuous catalytic reformer ("the CCR") and it was forced to suspend activity. The Company is making preparations for repairs, which are expected to continue for several weeks. based on the best assessments available to the Company as at the reporting date, including:

  1. The duration of the repair, which depends, among other things, on the scope and quality of the repairs that will actually be required, the availability of spare parts, and the pace of work

  2. The relevant refining margins in the repair period

  The Company believes that the estimated loss of profits to the Group due to shutdown of the CCR is between USD 20 million and USD 30 million, depending on the duration of the repair and the refining margins prevailing at that time,

H. For information about the effect of the Covid-19 pandemic on the Company's operations, see Note 1C to the Annual Financial Statements.

Bazan Ltd.

Separate Financial Information
As of March 31, 2021

(This part is available only in Hebrew)

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

Quarterly report on the effectiveness of the internal control of financial reporting and disclosure pursuant to Article 38C(a):

Management, under the supervision of the Balance Sheet and Audit Committee and the Board of Directors of Bazan Ltd. ("the Company"), is responsible for setting and maintaining proper internal control of financial reporting and disclosure in the Company.
For this matter, the members of management are:

1. Moshe Kaplinsky Peleg - CEO
2. Ana Berenshtein – CFO

The other members of Bazan management as of the report date:

3. Shlomi Basson – Deputy CEO and VP Human Resources, Safety, Environment and Security
4. Assaf Almagor – Acting Deputy CEO and VP Business Unit, Polyolefins and Aromatics
5. Yariv Gretz – VP Business Unit, Fuels
6. Limor Pesher-Cohen – VP Integrated Planning and Commerce
7. Mark Hana – VP Marketing and Sales, and Purchasing and Contracts
8. Aviram Gavish – Legal Counsel
9. Eliahu Mordoch – Corporate Secretary

Internal control of financial reporting and disclosure includes controls and procedures existing in the Company which were designed by the CEO and the most senior financial officer or under their supervision, or by whoever actually fulfills those roles, under the supervision of the Board of Directors of the Company, and are intended to provide reasonable assurance as to the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, and to ensure that information that the Company is required to disclose in the reports that it publishes as required by law, is gathered, processed, summarized and reported on the date and in the format prescribed in law.
Internal control includes, inter alia, controls and procedures designed to ensure that information that the Company is required to disclose as aforesaid, is accumulated and forwarded to the Company's management, including the CEO and the most senior financial officer or to whoever actually fulfills those roles, so as to enable decisions to be made at the appropriate time with regard to the disclosure requirement.
Owing to its inherent limitations, internal control of financial reporting and disclosure is not intended to provide absolute assurance that a misleading presentation or the omission of information in the reports will be prevented or will come to light.
In the annual report on the effectiveness of the internal control of financial reporting and disclosure attached to the Periodic Report for the period ended December 31, 2020 (“the Last Annual Report on Internal Control”), the Board of Directors and management assessed the Company’s internal control. Based upon this assessment, the Company’s Board of Directors and Management reached the conclusion that the said internal control as of December 31, 2020 was effective.
Up to the reporting date no event or matter that might change the assessment of the effectiveness of the internal control has been brought to the attention of the Board of Directors and management, as brought in the Last Annual Report on Internal Control;
As of the reporting date, based upon what is stated in the Last Annual Report on Internal Control, and based on information brought to the attention of the Board of Directors and management as stated above, the internal control is effective;

Certifications

A. Statement of the CEO pursuant to Article 38C(d)(1):

I, Moshe Kaplinsky Peleg, declare that:

1) I have reviewed the Quarterly Report of Bazan Ltd. ("the Company") for the first quarter of 2021 ("the Reports").

2) To my knowledge, the Reports do not contain any incorrect representation of a material fact, nor is any representation of a material fact omitted which is needed to prevent the representations contained in it, in light of the circumstances in which they were included, from being misleading in relation to the period covered by the Reports.

3) To my knowledge, the financial statements and other financial information in the Reports reflect fairly, from all material aspects, the financial condition, the results of operations and the cash flows of the Company as of the dates and for the periods to which the Reports relate.

4) I disclosed to the auditors of the Company, to the Company's Board of Directors and to the Balance Sheet and Audit Committee of the Board of Directors of the Company, based on my latest assessment concerning the internal control of financial reporting and disclosure:

(a) all the significant flaws and material weaknesses in the determination or application of the internal control of financial reporting and disclosure, which can reasonably be expected to harm the Company's ability to gather, process, summarize or report on financial information in such a way as to cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, and –

(b) any deception, whether material or not material, involving the CEO or any of his direct subordinates or other employees who have a significant role in the internal control of financial reporting and disclosure.

5) I, alone or together with others in the Company:

(a) set controls and procedures or ascertained the setting and maintaining of controls and procedures under my supervision, which are designed to ensure that material information relating to the Company, including its consolidated companies as defined in the Securities (Annual Financial Statements) Regulations, 2010, is brought to my knowledge by others in the Company and in the consolidated companies, particularly during the period of preparation of the Reports; and

(b) set controls and procedures or ascertained the setting and maintaining of controls and procedures under my supervision, which are designed to provide reasonable assurance of the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with accepted accounting principles.

(c) No event or matter that occurred during the period between the Last Quarterly Report on Internal Control and the date of this Report has been brought to my attention that might change the conclusion of the Board of Directors and management concerning the effectiveness of the internal control of the financial reporting and disclosure of the Company.

Nothing in the aforesaid derogates from my liability or the liability of any other person under the law.

May 6, 2021

Moshe Kaplinsky Peleg,
CEO

B. Statement of the most senior financial officer pursuant to Article 38C(d)(2):

I, Ana Berenshtein, declare that –

1) I have reviewed the interim financial statements and other financial information included in the Reports of the interim period of Bazan Ltd. ("the Company") for the first quarter of 2021 ("the Reports" or "the Reports for the Interim Period").

2) To my knowledge, the financial statements and the other financial information included in the Reports do not contain any incorrect representation of a material fact, nor is any representation of a material fact omitted which is needed to prevent the representations contained in them, in light of the circumstances in which they were included, from being misleading in relation to the period covered by the Reports.

3) To my knowledge, the interim financial statements and other financial information in the Reports for the Interim Period reflect fairly, from all material aspects, the financial condition, the results of operations and the cash flows of the Company as of the dates and for the periods to which the Reports relate.

4) I disclosed to the auditors of the Company, to the Board of Directors and to the Balance Sheet and Audit Committee of the Board of Directors of the Company, based on my latest assessment concerning the internal control of financial reporting and disclosure:

(a) all the significant flaws and material weaknesses in the determination or application of the internal control of financial reporting and disclosure, insofar as it relates to the interim financial statements and the other financial information contained in the Reports for the Interim Period, which can reasonably be expected to harm the Company's ability to gather, process, summarize or report on financial information in such a way as to cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and –

(b) any deception, whether material or not material, involving the CEO or any of his direct subordinates or other employees who have a significant role in the internal control of financial reporting and disclosure.

5) I, alone or together with others in the Company:

(a) set controls and procedures or ascertained the setting and maintaining of controls and procedures under my supervision, which are designed to ensure that material information relating to the Company, including its consolidated companies as defined in the Securities (Annual Financial Statements) Regulations, 2010, insofar as relevant to the financial statements and the other financial information contained in the Reports, is brought to my knowledge by others in the Company and in the consolidated companies, particularly during the period of preparation of the Reports; and

(b) I set controls and procedures or ascertained the setting and maintaining of controls and procedures under my supervision, which are designed to provide reasonable assurance of the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with accepted accounting principles.

(c) No event or matter that occurred during the period between the Last Quarterly Report on Internal Control and the date of this Report has been brought to my attention that refers to the interim financial statements and any other financial information included in the Reports for the Interim Period that might change the conclusion of the Board of Directors and management concerning the effectiveness of the internal control of the financial reporting and disclosure of the Company.

Nothing in the aforesaid derogates from my liability or the liability of any other person under the law.

May 6, 2021

Ana Berenshtein,
CFO