OIL REFINERIES LTD

Condensed Consolidated Interim Financial Statements as at June 30, 2016

(Unaudited)

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

Bazan Ltd.

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Contents

Directors' Report on the State of the Company's Affairs for the Period ended June 30, 2016

The Board of Directors is pleased to present the Directors' Report on the State of the Company's Affairs for the period ended June 30, 2016 ("the Reporting Period"). The report is presented under the assumption that the Company's Periodic Report for 2015 ("the Periodic Report") is available to the reader.

1. Description of the Company and its Business Environment

1.1 General

Bazan Ltd. ("the Company" or "Bazan") and its subsidiaries ("Bazan Group" or "the Group") are industrial companies involved in four primary synergetic segments of operations: fuels (through the Company), polymers (through Carmel Olefins), aromatics (through Gadiv) and polymers through Ducor. In addition, the Group companies engage in other operations that are not material: oils and waxes (through Haifa Basic Oils) and the trade segment (through Trading and Shipping).

The plants of these subsidiaries (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 method enables synergy, in many areas, that increases operating efficiency and reduces costs.

1.2 Actions for implementing the strategic plan and improve the Company's profitability

For further information regarding realization of the Group's strategy, see section 1.2 of the Directors' Report for 2015.

1.3 Business environment and Bazan Group profitability

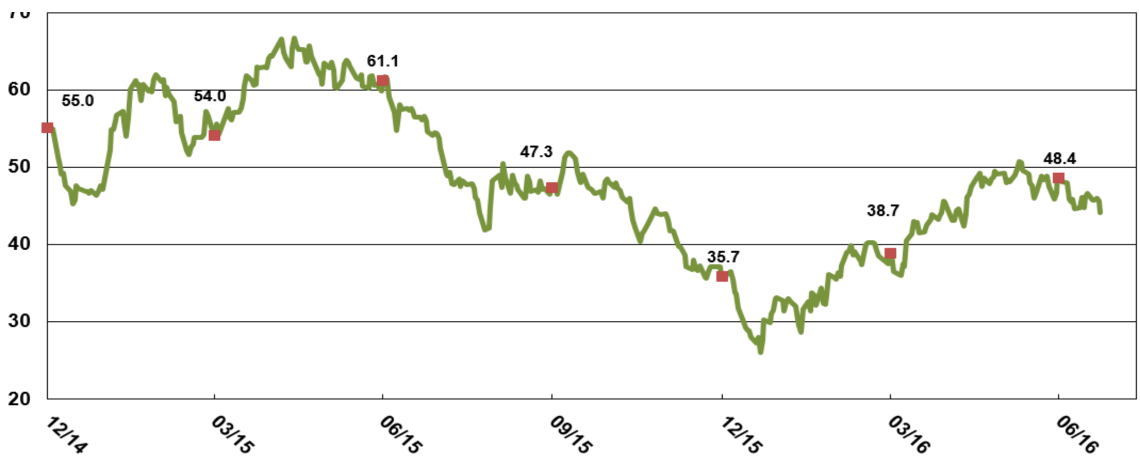
Analysis of operating segments

Since the beginning of 2015 changes have been made in Bazan Group's reported operating segments, hence the reporting segments are: Fuels, Polymers (Carmel Olefins), Aromatics and Polymers (Ducor). For further information see Note 4 to the condensed interim consolidated financial statements as at June 30, 2016. ("the Consolidated Statements") regarding the operating segments.

<u>Fuel Segment</u>

<u>Crude oil prices</u>

Brent crude oil prices in 2015-2016 (USD/barrel)



Source: Reuters

Average Brent crude prices (USD/barrel)

Jan - June, 2016	Jan - June, 2015	Change	Apr - June, 2016	Apr - June, 2015	Change
39.8	57.8	- 31%	45.6	61.9	- 26%

The Brent crude price in January 2016 declined to USD 26 per barrel, the lowest price in the past 12 years. The decline is a continuation of the 2015 trend and can be explained, among other things, by the following factors: Increase in the supply and inventories of crude oil, crude oil export permitted from the US, the nuclear agreement with Iran and lower than expected growth in Europe and China.

Later in the period the trend reversed and the Brent price began to rise and at the beginning of June 2016 it crossed the USD 50 per barrel mark. This increase is explained mainly by the gradual decrease in inventories and the anticipated balance between supply and demand on the oil market for the first time since 2013. At the end of June 2016 the Brent price dropped to USD 48 per barrel due to the instability in the financial and commodity markets together with the Brexit decision for Britain to leave the EU.

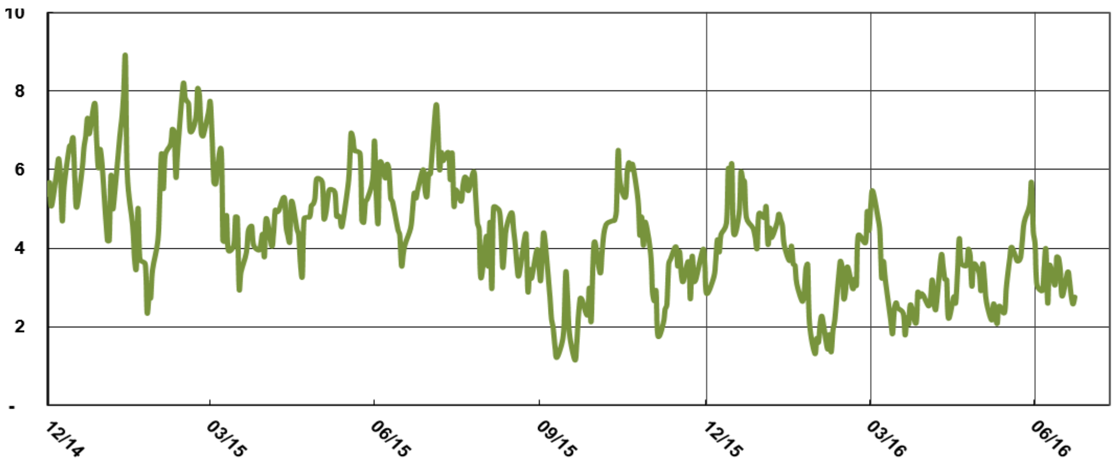
Close to the date of publication of this report, the Brent price was fixed at USD 44 per barrel.

In the Reporting Period the price of Ural crude oil, which is heavy crude oil, compared to Brent prices (which is light crude oil), was traded at a difference of USD 1.7 per barrel, compared with USD 0.9 per barrel in the corresponding period last year. The difference between light oil and heavy oil was extremely volatile and ranged between USD 0 - 25 per barrel, due to an increase in the supply of Ural crude oil substitutes that come from outside of the Mediterranean Basin.

In the reporting period the crude oil futures market continued to be contango at an average rate of USD 0.45 per barrel.

Refining Margins

Benchmark Margin[1] in 2015-2016 (USD/barrel)



Source: Reuters

Average Benchmark Margin (USD/barrel)

Jan - June, 2016	Jan - June, 2015	Change	Apr - June, 2016	Apr - June, 2015	Change
3.50	5.45	- 36%	3.20	4.90	- 35%

[1] The benchmark margin is the margin published by Reuters for a typical Mediterranean Basin refinery with the capability of cracking Ural-type crude oil. For further explanation, see section 1.6.2.4 in the Description of the Company's Affairs chapter.

The benchmark margin declined in the reporting period compared with the corresponding period last year. The factors that caused the weakening the refining margin are, inter alia, a decrease in demand for interim distillates due to the relatively easy winter in Europe, high utilization of refining plants and the import of distillates from the Persian Gulf region. The benchmark margin in the second quarter of 2016 was very volatile, among other things, in view of the shutdown of a major part of the refining plants in France and the drop in the Brent price at the end of June, which led to specific increases in margins to USD 5.7 per barrel.

Subsequent to the reporting date and through to close to the date of publication of this report, the average benchmark margin was USD 3.2 per barrel.

For further information regarding the Company's refining margins see section 2.1.2 below.

Mediterranean Basin transportation diesel, gasoline and 1% fuel oil margins over Brent crude oil (USD/barrel)

Source: Reuters

In the first half of 2016, particularly in the second quarter, the gasoline margin fell to USD 10 per barrel, after having reached a record in mid-2015. At the same time, the transportation diesel margin strengthened, relatively.

Refining volume

Breakdown of figures regarding utilization of crude oil refining plants, crude oil refining volume and HVGO imports in the Fuels segment (in thousands of tons):

	Jan - June, 2016	**Jan - June, 2015**	**Apr - June, 2016**	**Apr - June, 2015**
Utilization of refining plants	94%	91%	94%	92%
Refining volume	4,604	4,468	2,313	2,257
Import (export) of HVGO, net	42	69	(10)	(120)
Total	**4,646**	**4,537**	**2,303**	**2,137**

Refining volume increased in the first quarter of 2016 by 136 thousand tons and in the second quarter by 56 thousand tons, compared to the corresponding periods last year, primarily as a result of an increase in availability of the refining plants.

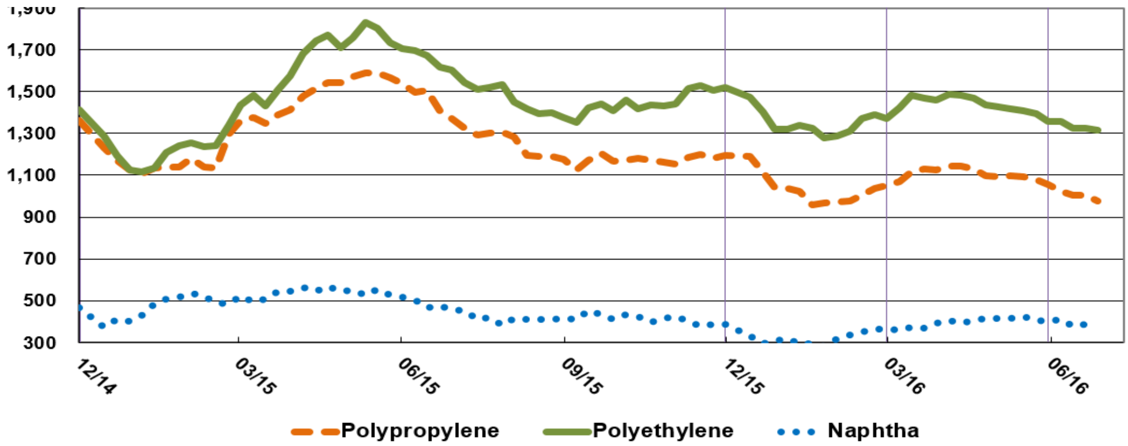
Input volume including HVGO increased in the first half of 2016 by 109 thousand tons, and in the second quarter by 166 thousand tons, compared to the corresponding periods last year. The increase in total input volume is mainly due to an increase in availability of the refining plants and the relatively shorter shutdown time of part of the Company's downstream plants for periodic maintenance, including gasoline production plants, in the second quarter of 2016 compared with the corresponding quarter last year. For the effect of the periodic maintenance on the EBITDA, also see section 2.1.2.

Breakdown of the Company's output by the main product groups in the fuels segment (in thousands of tons):

	Jan - June, 2016	Jan - June, 2015	Apr - June, 2016	Apr - June, 2015
Diesel fuel	1,620	1,922	786	903
Gasoline	900	841	457	364
Kerosene	330	249	195	141
Fuel oil	1,060	856	535	408
Other	624	588	269	286
Total	**4,534**	**4,456**	**2,242**	**2,102**

Polymers Segment - Carmel Olefins

Polymer and naphtha prices in 2015-2016 (USD /ton)



Source: ICIS

Average polymer and naphtha prices (USD / ton)

	Jan - June, 2016	Jan - June, 2015	Change	Apr - June, 2016	Apr - June, 2015	Change
Naphtha	361	506	- 29%	398	538	- 26%
Polypropylene	1,070	1,345	- 20%	1,106	1,497	- 26%
Polyethylene	1,396	1,462	- 5%	1,439	1,672	- 14%

Raw material prices

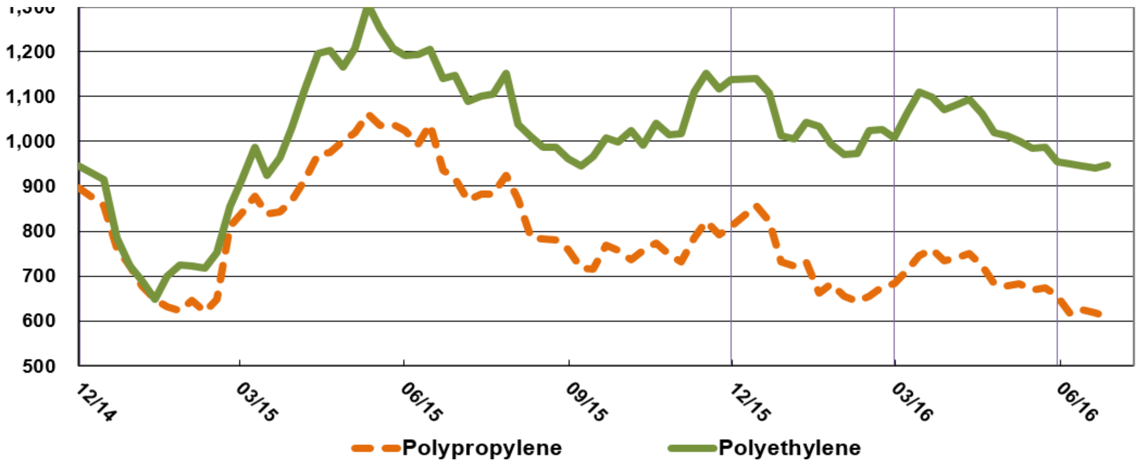
Raw material prices, particularly naphtha, declined in the reporting period compared to the corresponding period last year, parallel with the drop in crude oil prices.

Polymer prices

In the reporting period the prices of polyethylene and polypropylene declined compared with the compared to the corresponding period last year, parallel with the decrease in raw material prices. The decrease for polyethylene was lower than that for polypropylene due to, inter alia, the different behavior of the prices of the raw materials (propylene and ethylene) for manufacturing polymers in Europe.

<u>Margins</u>

Difference between the polymer and naphtha prices in 2015-2016 (USD / ton)



Source: ICIS

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

	Jan - June, 2016	Jan - June, 2015	Change	Apr - June, 2016	Apr - June, 2015	Change
Polypropylene	709	839	- 15%	708	959	- 26%
Polyethylene	1,035	956	8%	1,042	1,134	- 8%

In the reporting period the difference between the polyethylene prices and the naphtha prices was higher compared with the corresponding period last year, and lower in the second quarter of 2016 compared with the corresponding quarter last year. The difference between polypropylene prices and naphtha prices decreased as a result of the price erosion of polypropylene in the reporting period compared with the naphtha price. As aforesaid, these differences were affected, inter alia, by the different behavior of the prices of the raw materials (propylene and ethylene) for manufacturing polymers in Europe.

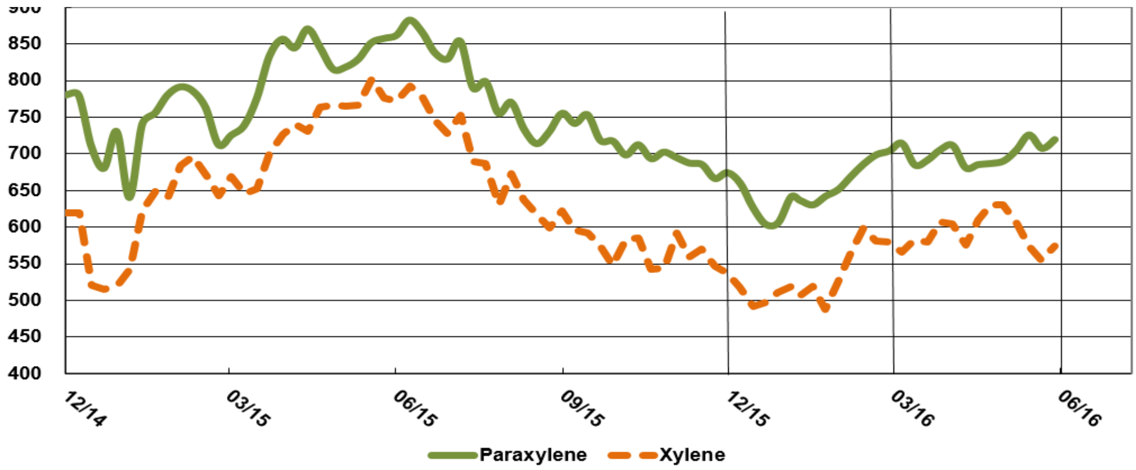
Polymer output volume (in thousand tons)

	Jan - June, 2016	Jan - June, 2015	Apr - June, 2016	Apr - June, 2015
Polymers	187	227	55	109

The decline in polymer output at Carmel Olefins is the result of a total shutdown of its plants in the second quarter of 2016 for period maintenance compared with the partial decline in output at Carmel Olefin due to periodic maintenance of its plants in the corresponding quarter last year. For the effect of the periodic maintenance on the EBITDA, also see section 2.1.2.

Aromatics Segment - Gadiv

Xylene and paraxylene prices in 2015-2016 (USD/ton)



Source: Reuters

Average xylene and paraxylene prices (USD / ton)

	Jan - June, 2016	Jan - June, 2015	Change	Apr - June, 2016	Apr - June, 2015	Change
Xylene	561	677	- 17%	593	739	- 20%
Paraxylene	675	784	- 14%	700	830	- 16%

Raw material prices

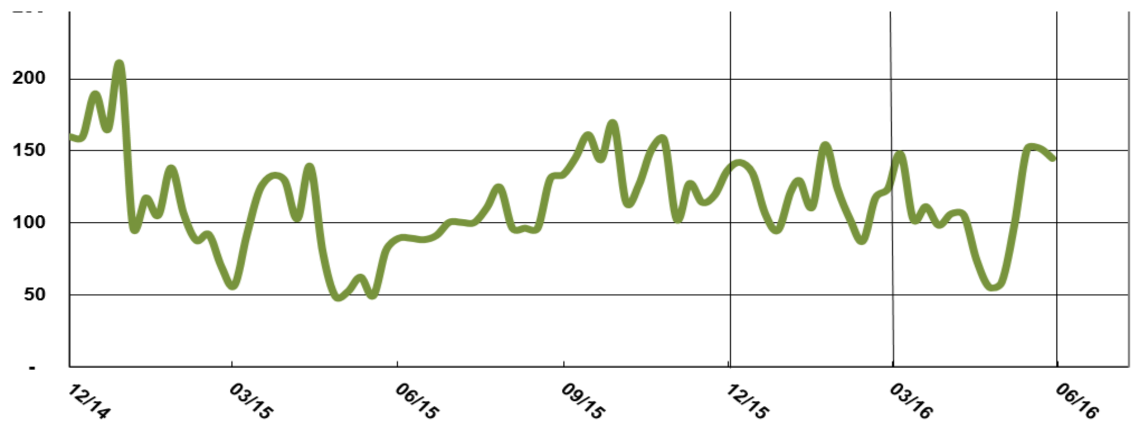
Raw material prices, particularly naphtha, declined in the reporting period compared to the corresponding period last year, parallel with the drop in crude oil prices.

Aromatics prices

The prices of the aromatics products, particularly paraxylene, declined in the reporting period compared to the corresponding period last year, parallel with the decrease in raw material and energy prices.

Margins

Difference between the paraxylene and xylene prices in 2015-2016 (USD/ton)



Source: Reuters

Change in the average difference between the paraxylene and xylene prices (USD / ton)

	Jan - June, 2016	Jan - June, 2015	Change	Apr - June, 2016	Apr - June, 2015	Change
Difference in price	114	107	7%	107	91	18%

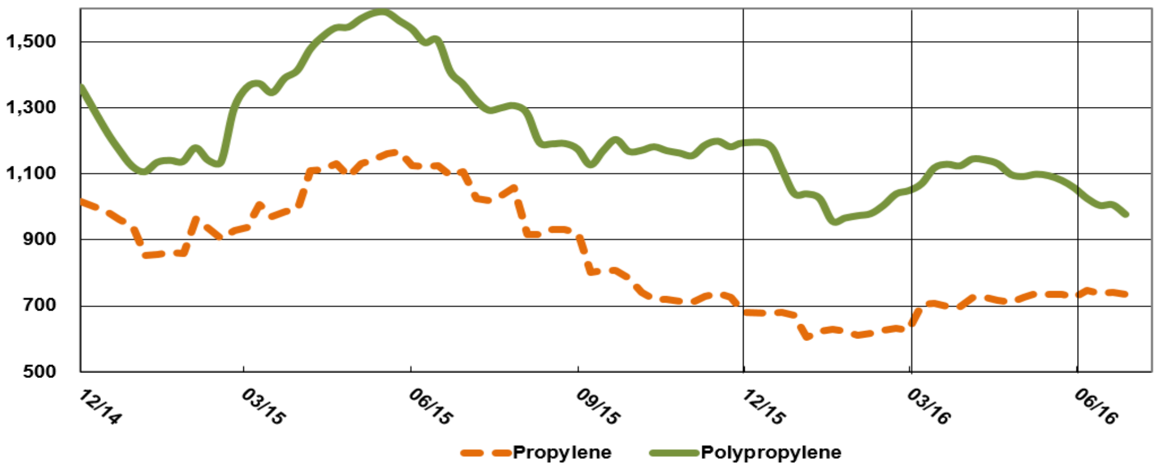
In the reporting period, the difference between the paraxylene price and the xylene price was higher compared with the corresponding period last year, mainly due to active demand for paraxylene downstream products.

Aromatics output volume (in thousand tons)

	Jan - June, 2016	Jan - June, 2015	Apr - June, 2016	Apr - June, 2015
Aromatics	281	274	139	133

Polymers Segment - Ducor

Polypropylene and propylene prices in 2015-2016 (USD/ton)



Source: ICIS

Average polypropylene and propylene prices (USD / ton)

	Jan - June, 2016	Jan - June, 2015	Change	Apr - June, 2016	Apr - June, 2015	Change
Polypropylene	1,070	1,345	- 20%	1,106	1,497	- 26%
Propylene	679	1,005	- 32%	719	1,087	- 34%

Raw material prices

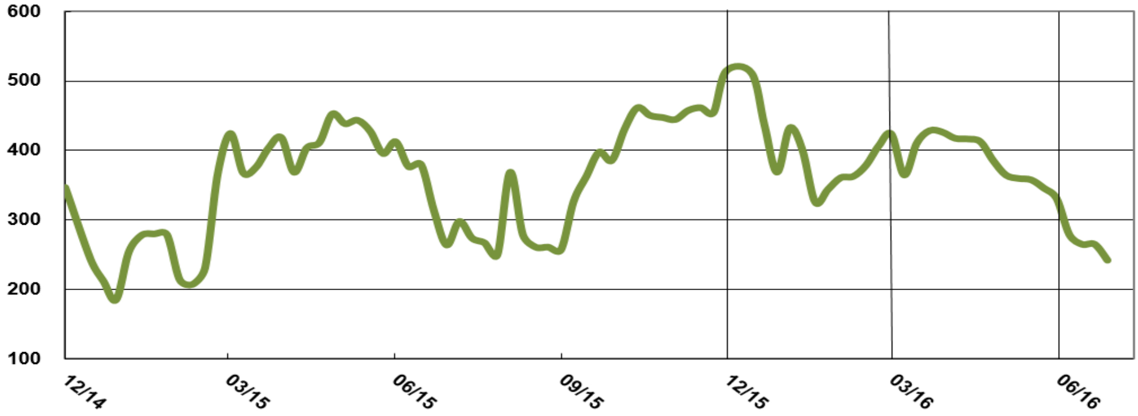
Raw material prices, particularly naphtha, declined in the reporting period compared to the corresponding period last year, parallel with the drop in crude oil prices.

Polypropylene prices

Polypropylene prices declined in the reporting period compared to the corresponding period last year, parallel with the decrease in raw material and energy prices. This decline was not as sharp as the decline in raw material prices, among other things, as the result of great demand and decrease in supply in Europe due to planned and unplanned shutdowns of production plants.

Margins

Difference between the polypropylene and propylene prices in 2015-2016 (USD/ton)



Source: ICIS

Change in the average difference between propylene and polypropylene prices (USD / ton)

	Jan - June, 2016	Jan - June, 2015	Change	Apr - June, 2016	Apr - June, 2015	Change
Difference in price	391	340	15%	387	410	- 6%

Further to the trend that started in 2015, the difference in the reporting period between the polypropylene price and the propylene price was higher than in the corresponding period last year. In the second quarter of 2016, the difference between the polypropylene and the propylene prices began to decrease, mainly as a result of the weakening of the polypropylene price in Europe.

Polypropylene output volume (in thousand tons)

	Jan - June, 2016	Jan - June, 2015	Apr - June, 2016	Apr - June, 2015
Polypropylene	83	83	43	42

2. Results of Bazan Group operations

2.1 Selected figures from the reported consolidated statements of income after adjustment for accounting effects for the six month period (USD millions)

To present the results of the Group's operations on an economic basis and for comparison with the benchmark margin, the accounting effects in the fuel segment are adjusted and presented in a way that the Company believes will allow better understanding of the Company's performance and closer comparison with the benchmark margin.

	Jan - June, 2016		Jan - June, 2015	
	Accounting	**Adjusted**	**Accounting**	**Adjusted**
Revenue	2,057	2,057	2,956	2,956
EBITDA	**267**	**236**	**384**	**402**
Depreciation	(60)	(60)	(59)	(59)
Other expenses - net	(7)	(7)	(20)	(20)
Operating profit	**200**	**169**	**305**	**323**
Financing expenses, net	(62)	(62)	(78)	(78)
Income tax	(23)	(23)	(42)	(42)
Net income	**115**	**84**	**185**	**203**

For details of the adjustment components, see section 2.1.2 below.

EBITDA by operating segments for the Reporting Period (USD million):

	Jan - June, 2016		Jan - June, 2015	
	Accounting	**Adjusted**	**Accounting**	**Adjusted**
Fuels	154	123	261	279
Polymers - Carmel Olefins	87	87	93	93
Aromatics - Gadiv	8	8	11	11
Polymers - Ducor	16	16	11	11
Other segments and adjustments	2	2	8	8
Total consolidated	**267**	**236**	**384**	**402**

2.1.1 Sales

Sales in the fuels segment amounted to USD 1,742 million in the Reporting Period, compared to USD 2,570 million in the corresponding period last year. The average price per ton of the product index in the Mediterranean area, similar to the Company’s product index, amounted to USD 349 in the Reporting Period, compared to USD 522 in the corresponding period last year. The decrease in the average price of the product index is mainly due to a decrease in energy prices, parallel with the drop in raw material prices.

Domestic consumption of distillates (transportation, industrial and heating fuels) rose by 2% compared to the corresponding period last year. There was an increase of 5% in consumption of transportation fuels (gasoline, diesel and kerosene) compared to the corresponding period last year.

Sales of the polymer segment - Carmel Olefins amounted to USD 250 million in the Reporting Period, compared to USD 333 million in the corresponding period last year, a decrease of USD 83 million. This decrease is due to a decrease of USD 59 million in sales quantities offset by an increase of USD 24 million in selling prices. The average price of the product mix was USD 1,227 per ton compared to US 1,342 per ton in the corresponding period last year.

Sales of aromatics - Gadiv amounted to USD 197 million in the Reporting Period, compared to USD 233 million in the corresponding period last year. The decrease of USD 36 million is mainly due to a price decrease of USD 33 million and a decrease of USD 3 million in other income. The average price of the product mix was USD 625 per ton compared to US 735 per ton in the corresponding period last year.

Sales of polymer segment - Ducor amounted to USD 98 million in the Reporting Period, compared to USD 123 million in the corresponding period last year. The decrease of USD 25 million is mainly due to a price decrease of USD 19 million and a decrease of USD 6 million in sales volume. The average price of the product mix was USD 1,086 per ton compared to US 1,302 per ton in the corresponding period last year.

2.1.2 Consolidated adjusted EBITDA in the operating segments

Adjusted consolidated EBITDA in the operating segments amounted to USD 236 million in the Reporting Period, compared to USD 402 million in the corresponding period last year.

Breakdown of the main causes for the decrease in adjusted consolidated EBITDA of USD 166 million, by segment, in the period (in USD million):

	Fuels (*)	**Polymers - Carmel Olefins(*)**	**Aromatics**	**Polymers - Ducor**	**Other**	**Consolidated**
Increase (decrease) in the margin / contribution (**)	(149)	14	--	7	(6)	(134)
Increase (decrease) in sales volume	3	(24)	--	(1)	--	(22)
Increase (decrease) in other revenue	--	1	(3)	--	--	(2)
Decrease (increase) in operating expenses	(10)	3	-	(1)	--	(8)
Total	**(156)**	**(6)**	**(3)**	**5**	**(6)**	**(166)**

(*) In the second quarter of 2016, all of Carmel Olefins plants and part of the Company's downstream plants, including for gasoline production, were shutdown for periodic maintenance. According to the Group's assessment, the estimated total loss of profits caused to the Group due to this shutdown, most of which in the second quarter results, amounts to USD 50 million (USD 5 million in the fuels segment and USD 45 million in the polymer segment - Carmel Olefins).

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

Adjustment components in the fuels segment

Breakdown of adjustment components in the fuel segment and their effect on EBITDA (USD millions)

	Jan - June, 2016	Jan - June, 2015
Accounting EBITDA	**154**	**261**
Expenses (income) from timing differences (1)	(17)	22
Expenses (income) from adjusting value of inventory to market value, net (2)	19	(11)
Effect of changes in fair value of derivatives and disposals (3)	(33)	7
Total adjustments	**(31)**	**18**
Adjusted EBITDA	**123**	**279**

(1) Expenses (income) arising from changes in the value of unhedged inventory. In accordance with Company policy, the Company does not hedge the inventory of up to 430 thousand tons.

(2) Expenses (income) arising from changes in the accounting provision for adjustment of hedged inventory to market value and expenses (income) from changes in accounting provision for impairment of unhedged inventory, at the end of the Reporting Period.

(3) Expenses (income) arising from reevaluation of the fair value of open positions that do not relate to hedged inventory (hedging transactions on future cash flow exposure for base inventory purchase and hedging of refining margins). The cumulative profit or loss with regard to these positions, which are non-cash, will be attributed to the adjusted EBITDA when disposed. In the reporting period, most of this amount derived from non-cash disposal of the loss in positions that do not relate to hedged inventory.

Breakdown of the comparison of the Company's refining margins with the benchmark margin.

	Jan - June, 2016	Jan - June, 2015
Accounting margin (USD/ton)	**54.0**	**75.6**
Adjustments in the fuels segment (USD/ton)	(6.5)	3.8
Adjusted margin (USD/ton)	**47.5**	**79.4**
Adjusted margin (USD/barrel)	**6.5**	**10.9**
Benchmark margin (USD/barrel)	**3.5**	**5.4**

In the reporting period, adjusted refining margins dropped to USD 6.5 per ton, compared to USD 10.9 per ton in the corresponding period last year. The main factors for the refining margin decrease compared with the corresponding period last year are: A decline in the benchmark margin of USD 1.9 per barrel, significant erosion of the contribution of natural gas due to the sharp decrease in the price of fuel oil that constitutes an alternative energy index to natural gas and due to the fact that there is a minimum natural gas price, erosion of the contribution of the Hydrocracker due to the reduced margin for diesel over HVGO (the main raw material for the Hydrocracker).

It is noted that there are differences in a number of parameters between the Company's refining margin and the benchmark margin. These include composition of crude oil (the Company also refines crude oil types that are not Ural), composition and quality of products produced by the refineries, the energy source used for refining, and the difference generated due to the fact that the quote takes into account purchase and sale on the same day, while in practice, there is a gap between the purchase date of the crude and the selling date of distillates produced from the crude oil. Comparison to the benchmark margin could provide insight in relation to development trends of the Company's refining margin, and does not constitute a precise parameter for estimating the Company's refining margin in the short term.

Operating results (including fixed production expenses and general and administrative expenses)

Operating expenses increased in the reporting period by USD 7 million compared with the corresponding period last year, mainly due to insurance indemnification for loss of energy in the amount of USD 4 million that was recognized in 2015.

2.1.3 Adjusted consolidated operating profit

Adjusted consolidated operating profit amounted to USD 169 million in the Reporting Period, compared to USD 323 million in the corresponding period last year. The main factors that affected the operating profit, other than the adjusted EBITDA as set out in section 2.1.2 above, are depreciation and amortization and other expenses.

Depreciation (without amortization of excess costs)

Depreciation expenses amounted to USD 60 million in the Reporting Period, similar to the corresponding period last year.

Other expenses

Other expenses amounted to USD 7 million in the reporting period and were made up mainly of amortization of excess costs in the amount of USD 5 million and voluntary redundancy expenses of USD 2 million. In the corresponding period last year these expenses amounted to USD 20 million and were mainly made up of amortization of excess costs in the amount of USD 6 million, voluntary redundancy expenses of USD 15 million offsetting a capital gain of USD 1 million resulting from insurance receipts for fully depreciated property.

2.1.4 Net income

Adjusted consolidated net profit amounted to USD 84 million in the Reporting Period, compared to USD 203 million in the corresponding period last year. The main factors that affected the adjusted net profit, other than the adjusted operating profit as set out in section 2.1.3 above, are financing expenses and income tax.

Financing expenses

In the Reporting Period the consolidated financing expenses amounted to USD 62 million, compared to USD 78 million in the corresponding period last year. Principal changes in financing expenses, based on financial analysis (USD millions):

	Jan - June, 2016 compared to Jan - June, 2015
Decrease in interest on short term credit and for working capital items	(12)
Increase in interest on long term loans and debentures (*)	5
Changes in fair value of hedge transactions	(8)
Other	(1)
Total	**(16)**

(*) Mainly due to the issue of debentures with a longer average life.

2.1.5 Income tax

Net tax expenses in the Reporting Period amounted to USD 23 million compared to USD 42 million in the corresponding period last year. The decrease in tax expenses in the reporting period compared to the corresponding period last year is primarily due to the effect of the decrease in pretax profit for the period compared with the corresponding period of the previous year, from tax revenue deriving from first time creating of deferred taxes for the losses of Ducor in the amount of USD 1 million, offset by tax expenses of USD 3.5 million due to the change in the statutory tax rate (see Note 8A to the consolidated statements).

2.2 Reported condensed consolidated statements of income after adjustment for accounting effects for the three month period (USD millions)

To present the results of the Group's operations on an economic basis and for comparison with the benchmark margin, the accounting effects in the fuel segment are adjusted and presented in a way that the Company believes will allow better understanding of the Company's performance and closer comparison with the benchmark margin.

	Apr - June, 2016		Apr - June, 2015	
	Accounting	**Adjusted**	**Accounting**	**Adjusted**
Revenue	1,132	1,132	1,524	1,524
EBITDA	**170**	**113**	**226**	**187**
Depreciation	(30)	(30)	(30)	(30)
Other expenses, net	(4)	(4)	(14)	(14)
Operating profit	**136**	**79**	**182**	**143**
Financing expenses, net	(26)	(26)	(43)	(43)
Income tax	(23)	(23)	(23)	(23)
Net income	**87**	**30**	**116**	**77**

(1) Amortization of surplus cost was reclassified from Cost of Sales to the Other income (expenses) item.

(2) For details of the adjustment components, see section 2.2.2 below.

EBITDA by operating segments for the Reporting Period (USD million):

	Apr - June, 2016		Apr - June, 2015	
	Accounting	**Adjusted**	**Accounting**	**Adjusted**
Fuels	115	58	158	119
Polymers - Carmel Olefins	37	37	48	48
Aromatics - Gadiv	4	4	6	6
Polymers - Ducor	9	9	10	10
Other segments and adjustments	5	5	4	4
Total consolidated	**170**	**113**	**226**	**187**

2.2.1 Sales

Sales in the fuels segment in the second quarter 2016 amounted to USD 975 million, compared to USD 1,329 million in the corresponding period last year. The average price per ton of the product index in the Mediterranean region, similar to the Company's product index, amounted to USD 384 in the second quarter of 2016, compared to USD 552 in the corresponding period last year. The decrease in the average price of the product index is mainly due to a decrease in energy prices, parallel with the drop in raw material prices.

Domestic consumption of distillates (transportation, industrial and heating fuels) remained unchanged in the second quarter of 2016, compared to the corresponding period last year. There was an increase of 4% in consumption of transportation fuels (gasoline, diesel and kerosene) compared to the corresponding period last year.

Sales of the polymer segment - Carmel Olefins in the second quarter of 2016 amounted to USD 108 million, compared to USD 168 million in the corresponding period last year, a decrease of USD 60 million. This decrease is mainly due to a decrease of USD 44 million in sales volume due to the periodic maintenance, and a decrease of USD 16 million in selling prices. The average price of the product mix was USD 1,266 per ton compared to US 1,444 per ton in the corresponding period last year.

Sales of aromatics segment - Gadiv in the second quarter of 2016 amounted to USD 105 million, compared to USD 121 million in the corresponding period last year. The decrease of USD 16 million is mainly due to a price decrease of USD 20 million and decrease in other income of USD 2 million offset by an increase in volume in the amount of USD 6 million. The average price of the product mix was USD 651 per ton compared to US 791 per ton in the corresponding period last year.

Sales of polymer segment - Ducor in the second quarter of 2016 amounted to USD 52 million, compared to USD 65 million in the corresponding period last year. The decrease of USD 13 million is mainly due to a price decrease of USD 14 million, offsetting the increase in sales volume of USD 1 million. The average price of the product mix was USD 1,116 per ton compared to US 1,442 per ton in the corresponding period last year.

2.2.2 Consolidated adjusted EBITDA in the operating segments

The adjusted consolidated EBITDA in the operating segments amounted to USD 113 million in the second quarter of 2016, compared with USD 187 million in the corresponding period last year.

Breakdown of the main causes for the decrease in adjusted consolidated EBITDA of USD 74 million, by segment, in the period (in USD million):

	Fuels (*)	**Polymers - Carmel Olefins(*)**	**Aromatics**	**Polymers - Ducor**	**Other**	**Consolidated**
Increase (decrease) in the margin / contribution (**)	(59)	4	--	(1)	1	(55)
Increase (decrease) in sales volume	9	(20)	--	--	--	(11)
Increase (decrease) in other revenue	--	1	(2)	--	--	(1)
Decrease (increase) in operating expenses	(11)	4	--	--	--	(7)
Total	**(61)**	**(11)**	**(2)**	**(1)**	**1**	**(74)**

(*) For information regarding the estimated loss of total profits caused to the Group as the result of the periodic maintenance on part of its plants and all of Carmel Olefins plants, see section 2.1.2 above.

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

Adjustment components in the fuels segment

Breakdown of adjustment components in the fuel segment and their effect on EBITDA (USD millions):

	Apr – June 2016	Apr – June 2015
Accounting EBITDA	**115**	**158**
Revenue from timing differences (1)	(32)	(21)
Expenses (income) from adjusting value of inventory to market value, net (2)	(5)	(9)
Effect of changes in fair value of derivatives and disposals (3)	(20)	(9)
Total adjustments	**(57)**	**(39)**
Adjusted EBITDA	**58**	**119**

(1) Expenses (income) arising from changes in the value of unhedged inventory. In accordance with Company policy, the Company does not hedge the inventory of up to 430 thousand tons.

(2) Expenses (income) arising from changes in the accounting provision for adjustment of hedged inventory to market value and expenses (income) from changes in accounting provision for impairment of unhedged inventory, at the end of the Reporting Period.

(3) Expenses (income) arising from reevaluation of the fair value of open positions that do not relate to hedged inventory (hedging transactions on future cash flow exposure for base inventory purchase and hedging of refining margins). The cumulative profit or loss with regard to these positions, which are non-cash, will be attributed to the adjusted EBITDA when disposed. In the quarter, part of this amount derived from non-cash disposal of the loss in positions that do not relate to hedged inventory.

Breakdown of the comparison of the Company's refining margins with the benchmark margin.

	Apr – June 2016	Apr – June 2015
Accounting margin (USD/ton)	**69.6**	**89.9**
Adjustments in the fuels segment (USD/ton)	(23.7)	(17.3)
Adjusted margin (USD/ton)	**45.9**	**72.6**
Adjusted margin (USD/barrel)	**6.3**	**10.0**
Benchmark margin (USD/barrel)	**3.2**	**4.9**

In the second quarter of 2016, the adjusted refining margin amounted to USD 6.3 per barrel compared to USD 10.0 per barrel in the corresponding period last year. The main factors for the refining margin decrease compared with the corresponding period last year are: A decline in the benchmark margin of USD 1.7 per barrel, significant erosion of the contribution of natural gas due to the sharp decrease in the price of fuel oil that constitutes an alternative energy index to natural gas and due to the fact that there is a minimum natural gas price, erosion of the contribution of the Hydrocracker due to the reduced margin for diesel over HVGO (the main raw material for the Hydrocracker).

For an explanation regarding the differences between the Company's refining margin and the benchmark margin, see section 2.2.2 above.

Operating results (including fixed production expenses and general and administrative expenses)

In the second quarter of 2016, operating expenses increased by USD 7 million compared with the corresponding period last year, mainly due to insurance indemnification for loss of energy in the amount of USD 4 million that was recognized in 2015.

2.2.3 Adjusted operating profit

Adjusted consolidated operating profit amounted to USD 79 million in the second quarter of 2016, compared with USD 143 million in the corresponding period last year. The main factors that affected the operating profit, other than the adjusted EBITDA as set out in section 2.2.2 above, are depreciation and amortization and other expenses.

Depreciation (without amortization of excess costs)

Depreciation expenses amounted to USD 30 million in the Reporting Period, similar to the corresponding period last year.

Other expenses

In the second quarter of 2016 other expenses amounted to USD 4 million and were made up mainly of amortization of excess costs in the amount of USD 3 million and voluntary redundancy expenses of USD 1 million. In the corresponding period last year other expenses amounted to USD 14 million and were mainly made up of amortization of excess costs in the amount of USD 3 million and voluntary redundancy expenses of USD 12 million offsetting a capital gain of USD 1 million resulting from insurance receipts for fully depreciated property.

2.2.4 Net income

Adjusted consolidated net profit amounted to USD 30 million in the second quarter of 2016, compared with USD 77 million in the corresponding period last year. The main factors that affected the adjusted net profit, other than the adjusted operating profit as set out in section 2.2.3 above, are financing expenses and income tax.

Financing expenses

Net consolidated financing expenses amounted to USD 26 million in the second quarter 2016, compared to USD 43 million in the corresponding period last year. Principal changes in financing expenses, based on financial analysis (USD millions):

	Apr - June, 2016 compared to Apr - June, 2015
Decrease in interest on short term credit and for working capital items	(5)
Increase in interest on loans and debentures (*)	3
Effect of exchange differences on financial items, net	5
Changes in fair value of hedge transactions	(19)
Other	(1)
Total	**(17)**

(*) Mainly due to the issue of debentures with a longer average life.

2.2.5 Income tax

In the second quarter 2016, tax expenses amounted to USD 23 million, similar to the corresponding period last year.

3. Financial position

3.1 Current assets

As at June 30, 2016, current assets amounted to USD 1,257 million, representing 35% of total assets, compared to USD 1,143 million, representing 33% of total assets as at December 31, 2015. The increase of USD 114 million is the result of an increase in inventories of USD 54 million, mainly due to a rise in the price of inventory, an increase in cash and deposits of USD 84 million, an increase in derivatives of USD 5 million offset by a decrease of USD 14 million in trade payables which is mainly the result of releasing surplus cash remaining in the central severance compensation funds following signing of a special collective agreement as set out in Note 18A1a to the Annual Financial Statements and a decrease in trade receivables of USD 16 million.

3.2 Non-current assets

At June 30, 2016, non-current assets amounted to USD 2,368 million, compared to USD 2.356 million at December 31, 2015. The increase of USD 12 million is mainly due to an increase of USD 49 million in property, plant and equipment, including additional investment of USD 110 million (for information regarding the investment due to refurbishment see section 4 below), less depreciation of USD 61 for the period, offsetting a decrease in long term debit balances in an amount of USD 35 million, mainly due to a decrease in a deposit relating to a transaction for inventory availability, as set out in Note 10 to the Annual Financial Statements, and the decrease in deferred taxes of USD 2 million.

3.3 Current liabilities

At June 30, 2016, current liabilities amounted to USD 1,033 million, representing 39% of total liabilities, compared to USD 1,032 million, representing 39% of total liabilities at December 31, 2015. The increase of USD 1 million derives mainly from an increase in trade payables of USD 49 million together with the rise in inventory prices, an increase in provisions as at reporting date in an amount of USD 10 million (mainly against fixed assets), less a decrease of USD 34 million in short term credit due mainly to the repayment of short term credit, less an increase in current maturities as set out in Note 4A(3) to the Annual Financial Statements, a decrease in other payables of USD 18 million mainly due to a decrease in liabilities regarding institutions and payroll, and a decrease in financial derivatives in the amount of USD 6 million.

3.4 Non-current liabilities

As at June 30, 2016, non-current liabilities amounted to USD 1,603 million, compared to USD 1,594 billion as at December 31, 2015. The increase of USD 9 million derives mainly from a net increase in debentures in the amount of USD 42 million as the result of a debenture issue in the net amount of USD 145 million as set out in Note 8F to the Consolidated Statements, offset by the period repayments in the amount of USD 67 million, an increase in current maturities of USD 52 million as set out in Note 14A(3) to the Annual Financial Statements less the effect of changes in fair value, plus the effect of the appreciation in the amount of USD 16 million, an increase in deferred tax liabilities of USD 20 million, mainly as a result of the effect of the period profit, less the decrease in long term bank liabilities in the amount of USD 31 million due to period repayments of USD 93 million offsetting loans received in the amount of USD 55 million and a decrease in current maturities of USD 7 million and a decrease in derivatives of USD 19 million.

3.5 Capital

As at June 30, 2016, capital amounted to USD 988 million, representing 27% of the statement of financial position, compared to USD 874 million, representing 25% of the statement of financial position at December 31, 2015. The increase of USD 114 million in capital is mainly due to the period profit of USD 115 million, changes in fair value hedging costs of USD 2 million, changes in fair value of cash flow hedging of USD 1 million and a share-based payment of USD 1 million, offset by the effect of the net change in fair value of debentures relating to the change in the Group's credit risk of USD 3 million and less the effect of reassessment of a defined benefit plan in the amount of USD 1 million.

4. Liquidity

Total current assets less current liabilities as at June 30, 2016 amounted to a balance of USD 224 million compared to a balance of USD 111 million as at December 31, 2015.

The current ratio at June 30, 2016 is 1.2 and at December 31, 2015 it was 1.1.

Consolidated cash flows from Bazan Group’s operating activities amounted to USD 244 million in the Reporting Period, mainly due to profit in the period amounting to of USD 115 million, non-cash income and expense adjustments in an amount of USD 141 million, offset by changes in income and liability items of USD 12 million.

Cash flows from Bazan Group's operating activities, which take into account net interest payments of USD 58 million, classified under financing and investment activities, amounted to USD 185 million in the Reporting Period.

Cash used for investment activities in the Reporting Period amounted to USD 95 million, and were used mainly to finance an investment of USD 79 million in property, plant and equipment (for details of investments in refurbishments see below), an investment in deposits of USD 18 million offset by interest proceeds of USD 1 million and dividends received from investees USD 2 million.

As of the second quarter of 2016 periodic maintenance work began in a major and significant part of the Group's plants. In the second quarter, periodic maintenance was carried out in all of Carmel Olefins plants, in one of the Company's gasoline production plants and its ancillary plants. The direct costs of this periodic maintenance work amounted to USD 50 million (USD 4 million in the Company and USD 46 million in Carmel Olefins), of which as at June 30, 2016, an amount of USD 23 million is yet to be paid. In the third quarter periodic maintenance is being carried out in part of the Company's plants, particularly in its main crude oil refining plant (CDU 4).

The Company estimates that the total cost for the planned periodic maintenance in 2016 is USD 140-180 million (of which USD 80-100 million is in the Company).

It is clarified that the forgoing with regard to the total costs for the planned maintenance work in 2016 is forward looking information the realization of which is uncertain and is not solely in the control of the Company. The maintenance cost estimate is dependent on various factors regarding which there is uncertainty, including the condition of the serviced plants, which may require additional repairs and servicing, in addition to those predicted, and could also adversely affect the Company's operating results. Therefore, there is no certainty that the assessments will materialize, in full or in part, and this could result in the periodic maintenance costs being different from the forecast.

Net cash flows used for financing activity amounted to USD 99 million in the reporting period, The cash was used mainly to repay short-term credit of USD 82 million and long-term credit and debentures of USD 160 million, for payment of interest of USD 59 million, offset by net proceeds of USD 145 million from the issue of debentures, receipt of long term credit in the amount of USD 55 million, deposits received from customers in the amount of USD 2 million, and proceeds from derivatives in the amount of USD 1 million.

Sources of financing

Composition of ORL Group financing sources and uses:

	Jan - June, 2016	Jan - June, 2015
	USD millions	
Sources		
Increase in cash	--	22
Income tax rebate, net	--	1
Dividend from investees	2	1
Cash from operating activities (prior to changes in working capital)	256	378
Derivative transactions, net	1	--
Issue of debentures, net	145	137
Long-term credit	55	--
Receipt of short-term credit and deposits from customers and others, net	--	27
Total sources	**459**	**566**
Uses		
Increase in working capital	12	249
Investments in property, plant and equipment and intangible assets	79	35
Interest paid, net	58	61
Repayment of long-term loans and debentures, net	160	199
Derivative transactions, net	--	9
Increase in cash for the period	50	--
Increase in deposits, net	18	13
Repayment of short-term credit and deposits from customers and others, net	82	--
Total uses	**459**	**566**

5. Total credit from financial institutions

Breakdown of Bazan Group's net debt to financial institutions and debenture holders as at June 30, 2016 (USD million):

	Bazan	Subsidiaries	Total
Short-term loan (1)	--	2	2
Bank loans (2)	521	108	629
Debentures (2) (3)	1,067	--	1,067
Liquid financial assets (4)	(343)	(65)	(408)
Total net financial debt	**1,245**	**45**	**1,290**

(1) At Bazan - offset by the short term debt to subsidiaries

(2) Including current maturities

(3) As of June 30, 216 presented at liability value (without costs of capital raising)

(4) Including cash and cash equivalents, short term deposits and deposits pledged to Carmel Olefins' banks.

As at March 31, 2016, the Group's total net financial debt, calculated according to the liability value of bank loans and debentures, amounted to USD 1,328 million and at December 31, 2015 to an amount of USD 1,418 million.

As of January 1, 2016 the Group has secured short term lines of credit that are valid through to December 31, 2016 (including guarantees, letters of credit, etc.) in a total amount of USD 485.5 million (the Company's share is USD 349 million, of which USD 25 million was provided as a long term loan in the first quarter of 2016). As at June 30, 2016, the Group has unused secured bank credit facilities of USD 422.5 million (the Company's share is USD 288 million).

Further to financial efforts made in the previous quarters to improve the structure of the financial debt and liquidity, extending the average life of long term liabilities and reducing financing costs, the Company's Board of Directors instructed its management to review options for rescheduling its long term debt to financial institutions.

6. Average volume of sources of finance in the Reporting Period

Long term loans and debentures (including current maturities, based on the method of presenting them according to the accounting standards in the financial statements and without the costs of capital raising) amounts to USD 1,702 million, short term financial credit amounts to USD 24 million, net operating capital amounts to USD 162 million (of which the average for trade receivables is USD 340 million and trade payables is USD 534 million).

7. Exposure to market risk and risk management methods

7.1. 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 that described in the Directors' Report on the state of the Company's affairs for the period ended December 31, 2015.

7.2. Breakdown of the differences in fair value in view of the sensitivity analysis of the price of crude oil and distillates:

	Pre-tax income (loss) Increase				Fair value	Pre-tax income (loss) Decrease			
Price change	**+ 50%**	**+ 20%**	**+ 10%**	**+ 5%**	**June 30, 2016**	**- 5%**	**- 10%**	**- 20%**	**- 50%**
	USD thousands								
Inventory (1)	125,119	50,048	25,024	12,512	250,238	(12,512)	(25,024)	(50,048)	(125,119)
Futures	19,933	7,973	3,987	1,993	(33,470)	(1,993)	(3,987)	(7,973)	(19,933)
Hedging of margins (2)	(11,208)	(4,483)	(2,242)	(1,121)	4,772	1,121	2,242	4,483	11,208
Emergency stockpiles derivative	(7,376)	(2,950)	(1,475)	(738)	(7,170)	738	1,475	2,950	7,376
	126,468	50,588	25,294	12,646	214,370	(12,646)	(25,294)	(50,588)	(126,468)

(1) Excluding inventory with a fixed price

(2) Sensitivity is to the change in the polymers' margins.

7.3. Consolidated linkage-based report

	CPI-linked NIS	in USD (*)	NIS Unlinked	Non-Financial	Total
As at June 30, 2016					
Total assets	77,755	404,588	470,071	2,788,423	3,740,837
Total liabilities	(47,157)	(1,910,790)	(630,337)	(160,767)	(2,749,051)
Total equity balance, net	**30,598**	**(1,506,202)**	**(160,266)**	**2,624,141**	**988,271**
As at December 31, 2015					
Total assets	106,988	750,709	(39,476)	2,681,501	3,499,722
Total liabilities	(75,078)	(2,282,974)	(144,942)	(123,140)	(2,626,134)
Total equity balance, net	**31,910**	**(1,532,265)**	**(184,418)**	**2,558,361**	**873,588**

(*) Including immaterial balances in other currencies

8. Corporate governance

8.1 Directors with accounting and financial expertise

There has been no change in the required minimum number of directors with accounting and financial expertise. As at reporting date, the Company has 6 directors with accounting and financial expertise.

8.2 Independent directors

There has been no change in the minimum number of independent directors required by law (2). The Company has 2 independent directors.

8.3 Salaries of officers and considerations on which the Board of Directors base such salaries

There has been no change to the Board of Directors' considerations underlying officers' salaries compared with the disclosure in the Directors' Report on the State of the Company's Affairs for the year ended December 31, 2015 other than the bonuses granted to the former chairman of Carmel Olefins board of directors and the CEO of the Company for 2015, which were approved by the general meeting on May 4, 2016.

8.4 Procedure for approving the financial statements

There were no changes in the Company’s procedure for approving the financial statements and in the identity of the Company’s organs that oversee the audit with regard to the procedure for approving the financial statements compared to the disclosure in the Periodic Report for 2015.

The audit committee, which also serves as the committee for reviewing the financial statements, discussed the financial statements on August 3, 2016 ("the Meeting"), in a meeting attended by senior officers of the Company and the auditor. The committee meeting was divided into two parts: In the first part of the meeting, the Company's management reviewed the information in the financial statements and the accounting policy used when preparing the statements and all members of the committee and Board of Directors were present during the review. The committee heard a detailed presentation made by the senior officers and others at the Company, including the CEO and CFO. The presentation includes the material issues contained in the financial reports, the significant assessments and critical estimates that were applied in the financial statements, the accounting policies and any amendments to the policies that were implemented, and implementation of the disclosure principles in the financial statements and accompanying information.

The second part of the meeting was held with the attendance of those members of the Board serving as committee members only, and they discussed and formulated the committee's recommendations to the Board of Directors. The following committee members attended the meeting: Mordechai Peled - Chairman;[2] Mordechai Zeev Lipschitz;[3] Prof. Arie Ovadia[4].

The interim financial statements as at June 30, 2016 were discussed and approved by the Company's Board of Directors on August 10, 2016 with the participation of all the Board members.

8.5 Disclosure regarding the internal auditor in a reporting corporation

In the Reporting Period, there was no change in the disclosure given in this matter in the Directors' Report on the State of the Company's Affairs for the year ended December 31, 2015.

9. Disclosure of financial reporting

9.1 Additional information contained in the auditors' report to shareholders

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

The contents of Note 5 to the financial statements (including by way of reference to the content of Notes 20B(2) and 20B(4) to the annual financial statements), with regard to legal proceedings, other contingencies, laws and regulations relating to the environment. Based on the opinions of their legal counsels, the managements of the Company and the subsidiaries, believe that it is not possible at this stage to assess the foregoing impact on the results of operations and on the financial situation, if any exists, and therefore, no provision regarding this matter was included in the financial statements.

9.2 Use of estimates and judgments

For information concerning the use of estimates and judgments, see Note 2 to the Consolidated Financial Statements.

9.3 Defining of insignificant transactions in the Company's financial statements

In the Reporting Period there were no changes in the definition of insignificant transactions compared with the disclosure in this regard in the 2015 Periodic Report.

10. Details of outstanding debentures

There have been no material changes in the Reporting Period regarding details of the outstanding series of debentures issued by the Company and offered to the public under a prospectus, regarding the details of the debenture trustees, regarding the conditions for calling for immediate redemption of the debentures, regarding the Company's compliance with these conditions and regarding 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, 2015 and in the notes to the financial statements for that year, other than the updating of the debenture rating outlook from stable to positive on May 31, 2016, as set out in Note 8 to the Consolidated Financial Statements. For further information concerning financial covenants, see Note 6A to the Consolidated Statements.

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[2] External director with accounting and finance expertise See Part D of the Periodic Report for qualifications, education and experience. The director submitted a statement as required by law, prior to his appointment.

[3] External director with accounting and finance expertise See Part D of the Periodic Report for qualifications, education and experience. The director submitted a statement as required by law, prior to his appointment.

[4] Director with accounting and finance expertise; See Part D of the Periodic Report for qualifications, education and experience. The director submitted a statement as required by law, prior to his appointment.

In the reporting period the Company the Company upheld its obligations towards the financiers and debenture holders not to create 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.

11. Material events subsequent to the Reporting Period

11.1. For further information see Note 8 to the Consolidated Statements and the update to the description of the corporation's affairs as set out below.

11.2. Effect of changes in exchange rates and prices of crude oil

11.2.1 Changes in exchange rates: from the end of the Reporting Period through to the of approval of the interim financial statements, there was an appreciation of 0.68% in the NIS-USD exchange rate. The Company uses hedging transactions to partially offset this exposure, as part of its risk management policy.

11.2.2 Changes in crude oil prices: the oil price, which was USD 48 per barrel at Reporting Date, was USD 44 per barrel shortly before the date of publication of the interim financial statements.

12. The Board of Directors of the Company thanks the outgoing officers and directors for their contribution to the Company.

13. 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**	**Avner Maimon** **CEO**

August 10, 2016

Bazan Ltd.

Update to the description of the Corporation's affairs in the Periodic Report at December 31, 2015

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

During and after the reporting period, no material changes or new events occurred in the Company's affairs, other than as set out below:

1. Further to that stated in section 1.18.2.2 of Chapter A of the Periodic Report with regard to draft emissions permits for the wholly owned subsidiaries, Carmel Olefins Ltd., Gadiv Petrochemical Industries Ltd. and Haifa Basic Oils Ltd. ("the Subsidiaries"), the Subsidiaries received emissions permits from the Ministry of Environmental Protection valid for seven years through to 2023.

   The Company and its subsidiaries are reviewing the details of the emissions permits issued and reviewing the actions they will be required to take following their issue, including the investments required in the Subsidiaries' plants in order for them to comply with the provisions of these permits.

2. Further to the provisions of section 1.12.4 of Chapter A of the Periodic Report with regard to approval of the outline plan for the land on which the Group companies' plants are located by the Regional Planning and Building Board (Haifa District) ("the Plan") and the appeals filed with the National Planning and Building Board regarding such approval, on July 14, 2016 the Company received the decision of the National Planning and Building Board secondary committee of appeals, which approved the Plan with modifications as set out in the decision and rejected most of the claims in the appeals filed against it.

   Once the Plan is duly published building permits may be issued thereunder, in accordance with its provisions and the decisions of the Regional Board.

Appendix - Condensed Consolidated Interim Financial Statements of Carmel Olefins Ltd.

Once the arrangement to swap Carmel Olefins debentures with Debentures (Series G) of the Company was completed, under which Carmel Olefins provided collateral for the Company's liabilities towards the holders of its Debentures (Series G) as set out in Note 14A to the Annual Financial Statements, Carmel Olefins ceased being a reporting corporation and all its reporting duties terminated.

As long as Carmel Olefins continues to be a guarantor as aforesaid, the Company undertook to include Carmel Olefins condensed consolidated statements (statements of financial position, statements of income and statements of cash flows) in its quarterly Directors' Report, without notes, unaudited, unaudited or reviewed as the case may be.

Condensed Consolidated Interim Financial Statements of Carmel Olefins

A. Carmel Olefins - Consolidated Statements of Financial Position - (in USD thousands)

	As at		
	June 30, 2016	June 30, 2015	Dec 31, 2015
	(Unaudited)		(Audited)
Current assets			
Cash and cash equivalents	26,301	26,349	25,352
Trade receivables	89,837	146,177	116,002
Other receivables	11,542	5,364	35,957
Financial assets measured at fair value through profit or loss	42	11	48
Derivative financial instruments	5,463	--	182
Inventory	37,902	44,610	48,900
Total current assets	171,087	222,511	226,441
Non-current assets			
Derivative financial instruments	404	5,141	278
Deposits	14,134	17,763	14,266
Long term loans and debit balances	6,112	7,411	6,742
Assets for employee benefits, net	4,377	4,412	4,261
Deferred tax assets, net	3,017	1,464	5,145
Property, plant and equipment, net	681,929	644,106	633,880
Intangible assets, net	7,475	8,715	8,066
Total non-current assets	717,448	689,012	672,638
Total assets	888,535	911,523	899,079

A. Carmel Olefins - Consolidated Statements of Financial Position - (in USD thousands) (contd.)

	As at		
	June 30, 2016	June 30, 2015	Dec 31, 2015
	(Unaudited)		(Audited)
Current liabilities			
Loans and borrowings	83,745	141,782	163,243
Trade payables	69,793	105,792	29,104
Other payables	16,547	15,564	19,778
Derivative financial instruments	2,574	5,464	7,845
Provisions	5,763	2,702	4,173
Total current liabilities	178,422	271,304	224,143
Non-current liabilities			
Credit from banks, net	60,021	108,118	64,572
Loan from the parent company, net	105,740	--	138,953
Debentures	--	141,787	--
Derivative financial instruments	1,351	--	2,798
Liabilities for employee benefits, net	17,543	17,320	15,977
Deferred tax liabilities, net	58,821	28,415	46,747
Total non-current liabilities	243,476	295,640	269,047
Total liabilities	421,898	566,944	493,190
Capital			
Share capital	116,997	116,997	116,997
Capital reserves	(11,514)	(6,725)	(12,515)
Retained earnings	361,154	234,307	301,407
Total equity	466,637	344,579	405,889
Total liabilities and equity	888,353	911,523	899,079

B. Carmel Olefins - Consolidated Statements of Income and Statements of Other Comprehensive Income (in USD thousands)

	Six months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2016	Three months ended June 30, 2015	Year ended December 31, 2015
	(Unaudited)		(Unaudited)		(Audited)
Revenue	344,985	452,839	158,112	231,864	883,778
Cost of sales	242,196	345,869	112,877	171,900	667,955
Gross profit	102,789	106,970	45,235	59,964	215,823
Selling and marketing expenses	11,007	13,311	5,087	6,924	27,053
General and Administrative Expenses	6,751	8,128	3,395	4,346	18,065
Other revenue	--	(7)	--	(7)	(7)
Voluntary redundancy expenses	2,074	--	894	--	--
Operating profit	82,957	85,538	35,859	48,701	170,712
Finance revenues	82	61	40	45	110
Financing expenses	(8,732)	(21,811)	(4,608)	(7,971)	(32,570)
Financing expenses, net	(8,650)	(21,750)	(4,568)	(7,926)	(32,460)
Income before taxes on income	74,307	63,788	31,291	40,775	138,252
Income tax	(14,216)	(16,445)	(5,021)	(8,474)	(30,642)
Net profit for the period	**60,091**	**47,343**	**26,270**	**32,301**	**107,610**
Items of other comprehensive income (loss) transferred to profit and loss					
Effective share of the change in fair value of cash flow hedging, net of tax	1,183	--	1,133	--	--
Foreign currency translation differences for foreign operations	(446)	2,957	178	(1,459)	3,603
Other comprehensive income (loss) transferred to profit or loss, net of tax	737	2,957	1,311	(1,459)	3,603
Items of other comprehensive income (loss) not transferred to profit or loss, net of tax					
Reclassification of defined benefit plan, net to tax	(344)	923	(344)	2,131	647
Net change in fair value of debentures at fair value through profit or loss, attributable to change in credit risk, net of tax	--	(3,231)	--	900	(2,812)
Other comprehensive income (loss) not transferred to profit or loss, net of tax	(344)	(2,308)	(344)	3,031	(2,165)
Comprehensive income for the period	**60,484**	**47,992**	**27,237**	**33,873**	**109,048**

C. Carmel Olefins - Consolidated Statements of Cash Flows - (in USD thousands)

	Six months ended		Three months ended		Year ended
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from operating activities					
Net earnings for the period	60,091	47,343	26,270	32,301	107,610
Adjustments required for presenting cash flows from operating activities:					
Non-cash expenses (Appendix A – section A)	32,055	52,767	11,606	29,780	97,059
	92,146	100,110	37,876	62,081	204,669
Changes in assets and liabilities (Appendix A - section B)	77,431	(38,641)	14,152	(37,420)	(111,901)
Interest paid, net	(10,853)	(14,357)	(2,433)	(5,749)	(27,643)
Income tax paid	(109)	(88)	(67)	(85)	(174)
Net cash from operating activities	158,615	47,024	49,528	18,827	64,951
Cash flow for investment activities					
Changes in deposits, net	(101)	(27)	(77)	86	(59)
Employee loans, net	35	113	17	67	178
Investments in property plant and equipment (including periodic maintenance)	(39,458)	(3,973)	(32,471)	(2,772)	(11,262)
Net cash used for investing activities	(39,524)	(3,887)	(32,531)	(2,619)	(11,143)
Cash flow for financing activities					
Receipt (repayment) of short-term credit, net	(77,744)	6,784	(6,601)	6,648	5,593
Repayment of long-term bank borrowings	(6,919)	(6,919)	(3,459)	(3,459)	(17,588)
Proceeds from currency and interest rate swap transaction, net	(1,683)	(1,989)	(85)	--	(1,989)
Repayment of a loan from parent company	(32,879)	--	--	--	--
Repayment of debentures	--	(31,575)	--	--	(31,575)
Net cash from operations (used for financing operations)	(119,225)	(33,699)	(10,145)	3,189	(45,559)
Increase (decrease) in cash and cash equivalents	**(134)**	**9,438**	**6,852**	**19,397**	**8,249**
Effect of exchange rate fluctuations on cash and cash equivalent balances	1,083	242	517	(186)	434
Cash and cash equivalents at beginning of period	25,352	16,669	18,932	7,138	16,669
Cash and cash equivalents at the end of the period	**26,301**	**26,349**	**26,301**	**26,349**	**25,352**

(*) In the second quarter of 2016, periodic maintenance was carried out on all of the Company's plants, the direct costs of which amounted to USD 46 million. As at June 30, 2016, an amount of USD 23 million is yet to be paid.

C. Carmel Olefins - Consolidated Statements of Cash Flows - (in USD thousands) (contd.)

Appendix A: Adjustments required for presenting cash flows from operating activities

	Six months ended		Three months ended		Year ended
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015
	(Unaudited)		(Unaudited)		(Audited)
A. Income and expenses not that do not involve cash flows:					
Depreciation and amortization	18,047	17,785	9,262	9,039	35,472
Income tax	14,216	16,445	5,021	8,474	30,642
Financing expenses, net	8,470	21,988	1,067	14,218	30,280
Net change in fair value of financial derivative instruments	(8,942)	(3,494)	(3,861)	(1,994)	368
Parent company share-based payment	264	43	117	43	297
	32,055	52,767	11,606	29,780	97,059
B. Changes in assets and liabilities					
Decrease in trade receivables	26,501	6,229	26,007	2,322	35,959
Decrease (increase) in other receivables	24,694	(1,668)	117	3,137	(28,795)
Decrease (increase) in inventory	11,291	18,762	18,992	(369)	14,061
Increase (decrease) in trade payables	17,255	(60,089)	(31,542)	(46,303)	(136,019)
Increase (decrease) in other accounts payable	(3,124)	3,779	1,462	3,331	8,162
Increase (decrease) in provisions	(35)	(5,967)	(810)	(235)	(4,496)
Increase (decrease) in employee benefit liabilities, net	849	313	(74)	697	(773)
	77,431	(38,641)	14,152	(37,420)	(111,901)

Somekh Chaikin
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Auditors Report to the Shareholders of Bazan Limited

Introduction

We have reviewed the accompanying financial information of Oil Refineries Limited ("the Company" and its subsidiaries ("the Group"), including the condensed consolidated statement of financial position as at June 30, 2016 and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six and three months then ended. The board of directors and the management are responsible for preparation and presentation of the financial information for these interim periods in accordance with IAS 34 - Interim Financial Reporting, and are also responsible for preparation of the interim financial information for these periods 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 these interim periods based on our review.

We did not review the condensed interim financial information of subsidiaries, whose consolidated assets represent approximately 2% of the total consolidated assets as of June 30, 2016, and whose consolidated revenue represents approximately 5% and 5% of the total consolidated revenue for the six and three months then ended. In addition, we did not review the condensed interim financial statements of equity-accounted investees, the investment in which amounts to USD 3,084 thousand as at June 30, 2016, and the share of the Group in their expenses is a loss of USD 153 thousand and a profit of USD 64 thousand for the six and three months then ended. The condensed interim financial information of those companies were reviewed by other accountants, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reviews of the other accountants.

Review scope

We conducted our review in accordance with Accounting Standard No. 1 – 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 and the review of other accountants, nothing has come to our attention that causes us to believe that this financial information was not prepared, in all material respects, in accordance with IAS 34.

Additionally, based on our review and the review of other accountants, 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.

Without qualifying our above conclusions, we draw attention to the contents of Note 5 to the financial statements (including by way of reference to Note 20B(2) and 20B(4) to the annual financial statements) regarding legal proceedings, other contingencies, laws and regulations relating to the environment. Based 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 financial position, if any exists, and therefore, no provision regarding this matter was included in the financial statements.

Somekh Chaikin
Certified Public Accountants

Haifa, August 10, 2016

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

Condensed Consolidated Interim Statements of Financial Position
USD thousands

	June 30, 2016	June 30, 2015	December 31, 2015
	(Unaudited)		(Audited)
Current assets			
Cash and cash equivalents	337,686	232,814	286,349
Deposits	56,397	9,164	23,902
Trade receivables	341,401	482,584	357,690
Other receivables	25,958	59,658	39,552
Financial derivatives	8,670	4,083	3,633
Inventory	486,688	635,308	432,291
Total current assets	1,256,800	1,423,611	1,143,417
Non-current assets			
Investments in equity-accounted investees	3,084	4,561	4,926
Investments in financial assets at fair value through other comprehensive income	46	--	38
Loan to Haifa Early Pensions Ltd.	49,991	54,667	52,077
Long term loans and debit balances	24,600	83,291	59,570
Financial derivatives	11,922	15,999	6,984
Employee benefit assets, net	4,377	4,412	4,261
Deferred tax assets, net	3,017	1,464	5,145
Property, plant and equipment, net	2,240,492	2,211,103	2,191,614
Intangible assets and deferred expenses, net	30,333	33,309	31,712
Total non-current assets	2,367,862	2,408,806	2,356,327
Total assets	3,624,662	3,832,417	3,499,744

Ovadia Eli	**Avner Maimon**	**Israel Lederberg**
Chairman, Board of Directors	**CEO**	**CFO**

Approval date of the condensed interim financial statements: August 10, 2016

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

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Condensed Consolidated Interim Statements of Financial Position
USD thousands

	June 30, 2016	June 30, 2015	December 31, 2015
	(Unaudited)		(Audited)
Current liabilities			
Loans and borrowings	282,065	349,185	316,853
Trade payables	595,072	1,027,860	545,803
Other payables	92,663	114,373	110,246
Financial derivatives, net	19,955	42,107	25,618
Provisions	43,291	24,416	33,744
Total current liabilities	1,033,046	1,557,941	1,032,264
Non-current liabilities			
Liabilities to banks	471,790	588,362	502,391
Debentures, net	977,578	729,197	935,558
Other long-term liabilities	18,654	9,161	23,971
Financial derivatives, net	17,395	18,055	36,281
Employee benefits, net	50,870	52,452	48,606
Deferred tax liabilities, net	67,058	45,445	47,085
Total non-current liabilities	1,603,345	1,442,672	1,593,892
Total liabilities	2,636,391	3,000,613	2,626,156
Capital			
Share capital	805,282	805,282	805,282
Share premium	31,962	31,962	31,962
Capital reserves	36,616	34,036	35,373
Retained earnings (losses)	114,411	(39,476)	971
Total capital	988,271	831,804	873,588
Total liabilities and capital	3,624,662	3,832,417	3,499,744

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

Condensed Consolidated Interim Statement of Income and Other Comprehensive Income
USD thousands

	Six months ended		Three months ended		Year ended
	June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**	**December 31, 2015**
	(Unaudited)		(Unaudited)		(Audited)
Revenue	2,056,917	2,956,222	1,131,866	1,524,400	5,490,973
Cost of sales	1,787,439	2,562,927	962,109	1,292,768	4,918,580
Gross profit	269,478	393,295	169,757	231,632	572,393
Selling and marketing expenses	(41,881)	(49,202)	(20,652)	(25,266)	(93,940)
General and administrative expenses	(26,363)	(25,412)	(12,201)	(12,821)	(52,577)
Other revenue	--	1,233	--	1,233	2,298
Loss from impairment of cash-generating units	--	--	--	--	(8,500)
Voluntary redundancy expenses	(1,011)	(15,538)	(1,011)	(13,122)	(15,392)
Operating profit	200,223	304,376	135,893	181,656	404,282
Financing income	11,067	20,239	(10,237)	6,843	5,515
Financing expenses	(73,339)	(98,332)	(16,020)	(49,683)	(145,905)
Financing expenses, net	(62,272)	(78,093)	(26,257)	(42,840)	(140,390)
Company's share in gains (losses) of equity accounted investees, net of tax	(153)	378	64	207	507
Income before taxes on income	137,798	226,661	109,700	139,023	264,399
Income tax	(22,998)	(41,640)	(23,028)	(23,074)	(39,755)
Net income for the period	**114,800**	**185,021**	**86,672**	**115,949**	**224,644**
Items of other comprehensive income (loss) transferred to profit or loss					
Foreign currency translation differences for foreign operations	(446)	2,957	178	(1,459)	3,603
Effective share of the change in fair value of cash flow hedging, net of tax	1,183	--	1,133	--	--
Change in fair value hedging costs, net of tax	2,442	2,329	978	1,202	3,353
Other comprehensive income (loss) for the period transferred to profit or loss, net of tax	3,179	5,286	2,289	(257)	6,956
Items of other comprehensive income (loss) not transferred to profit or loss					
Remeasurement of a defined benefit plan, net of tax	(1,360)	2,480	(1,360)	7,555	3,304
Net change in fair value of debentures at fair value through profit or loss, attributable to change in credit risk, net of tax	(2,964)	(15,142)	(3,668)	(1,293)	(16,509)
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	7	(270)	(7)	(273)	(239)
Other comprehensive income (loss) for the period, not transferred to profit or loss, net of tax	(4,317)	(12,932)	(5,035)	5,989	(13,444)
Comprehensive income for the period	**113,662**	**177,375**	**83,926**	**121,681**	**218,156**
Earnings per share (USD)					
Basic and diluted earnings per 1 ordinary share	0.036	0.058	0.027	0.036	0.070

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

Condensed Consolidated Interim Statements of Changes in Equity
USD thousands

	Share capital	Share premium	Capital reserve for share-based payment	Capital reserve from translation differences	Capital reserve for financial instruments at fair value through other comprehensive income	Capital reserve	Hedge fund	Capital reserve for financial liabilities at fair value	Retained earnings	Total capital
	Six months ended June 30, 2016 (unaudited)									
Balance as at January 1, 2016 (audited)	**805,282**	**31,962**	**10,245**	**5,868**	**(6,807)**	**28,478**	**1,213**	**(3,624)**	**971**	**873,588**
Profit for the period	--	--	--	--	--	--	--	--	**114,800**	**114,800**
Other comprehensive income (loss):										
Foreign currency translation differences for foreign operations	--	--	--	**(446)**	--	--	--	--	--	**(446)**
Change in fair value hedging costs, net of tax	--	--	--	--	--	--	**2,442**	--	--	**2,442**
Remeasurement of a defined benefit plan, net of tax	--	--	--	--	--	--	--	--	**(1,360)**	**(1,360)**
Effective share of the change in fair value of cash flow hedging, net of tax	--	--	--	--	--	--	**1,183**	--	--	**1,183**
Net change in fair value of debentures at fair value through profit or loss, attributable to change in credit risk, net of tax	--	--	--	--	--	--	--	**(2,964)**	--	**(2,964)**
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	--	--	--	--	**7**	--	--	--	--	**7**
Total other comprehensive income (loss) for the period, net of tax	--	--	--	**(446)**	**7**	--	**3,625**	**(2,964)**	**(1,360)**	**(1,138)**
Total other comprehensive income (loss) for the period	--	--	--	**(446)**	**7**	--	**3,625**	**(2,964)**	**113,440**	**113,662**
Share-based payment	--	--	**1,021**	--	--	--	--	--	--	**1,021**
Balance as at June 30, 2016	**805,282**	**31,962**	**11,266**	**5,422**	**(6,800)**	**28,478**	**4,838**	**(6,588)**	**114,411**	**988,271**

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

Condensed Consolidated Interim Statements of Changes in Equity (Contd.)
USD thousands

	Share capital	Share premium	Capital reserve for share-based payment	Capital reserve from translation differences	Capital reserve for financial instruments at fair value through other comprehensive income	Capital reserve	Hedge fund	Capital reserve for financial liabilities at fair value	Retained earnings (losses)	Total capital
	Six months ended June 30, 2015 (unaudited)									
Balance as at January 1, 2015 (audited)	**805,282**	**31,962**	**9,016**	**2,265**	**(6,568)**	**28,478**	**(2,140)**	**12,885**	**(226,977)**	**654,203**
Profit for the period	--	--	--	--	--	--	--	--	**185,021**	**185,021**
Other comprehensive income (loss):										
Foreign currency translation differences for foreign operations	--	--	--	**2,957**	--	--	--	--	--	**2,957**
Change in fair value hedging costs, net of tax	--	--	--	--	--	--	**2,329**	--	--	**2,329**
Remeasurement of a defined benefit plan, net of tax	--	--	--	--	--	--	--	--	**2,480**	**2,480**
Net change in fair value of debentures at fair value through profit or loss, attributable to change in credit risk, net of tax	--	--	--	--	--	--	--	**(15,142)**	--	**(15,142)**
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	--	--	--	--	**(270)**	--	--	--	--	**(270)**
Total other comprehensive income (loss) for the period, net of tax	--	--	--	**2,957**	**(270)**	--	**2,329**	**(15,142)**	**2,480**	**(7,646)**
Total other comprehensive income (loss) for the period	--	--	--	**2,957**	**(270)**	--	**2,329**	**(15,142)**	**187,501**	**177,375**
Share-based payment	--	--	**226**	--	--	--	--	--	--	**226**
Balance as at June 30, 2015	**805,282**	**31,962**	**9,242**	**5,222**	**(6,838)**	**28,478**	**189**	**(2,257)**	**(39,476)**	**831,804**

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

Condensed Consolidated Interim Statements of Changes in Equity (Contd.)
USD thousands

	Share capital	Share premium	Capital reserve for share-based payment	Capital reserve from translation differences	Capital reserve for financial instruments at fair value through other comprehensive income	Capital reserve	Hedge fund	Capital reserve for financial liabilities at fair value	Retained earnings	Total capital
	Three months ended June 30, 2016 (Unaudited)									
Balance as at April 1, 2016	**805,282**	**31,962**	**10,806**	**5,244**	**(6,793)**	**28,478**	**2,727**	**(2,920)**	**29,099**	**903,885**
Profit for the period	--	--	--	--	--	--	--	--	**86,672**	**86,672**
Other comprehensive income (loss):										
Foreign currency translation differences for foreign operations	--	--	--	**178**	--	--	--	--	--	**178**
Change in fair value hedging costs, net of tax	--	--	--	--	--	--	**978**	--	--	**978**
Remeasurement of a defined benefit plan, net of tax	--	--	--	--	--	--	--	--	**(1,360)**	**(1,360)**
Effective share of the change in fair value of cash flow hedging, net of tax	--	--	--	--	--	--	**1,133**	--	--	**1,133**
Net change in fair value of debentures at fair value through profit or loss, attributable to change in credit risk, net of tax	--	--	--	--	--	--	--	**(3,668)**	--	**(3,668)**
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	--	--	--	--	**(7)**	--	--	--	--	**(7)**
Total other comprehensive income (loss) for the period, net of tax	--	--	--	**178**	**(7)**	--	**2,111**	**(3,668)**	**(1,360)**	**(2,746)**
Total other comprehensive income (loss) for the period	--	--	--	**178**	**(7)**	--	**2,111**	**(3,668)**	**85,312**	**83,926**
Share-based payment	--	--	**460**	--	--	--	--	--	--	**460**
Balance as at June 30, 2016	**805,282**	**31,962**	**11,266**	**5,422**	**(6,800)**	**28,478**	**4,838**	**(6,588)**	**114,411**	**988,271**

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

Condensed Consolidated Interim Statements of Changes in Equity (Contd.)
USD thousands

	Share capital	Share premium	Capital reserve for share-based payment	Capital reserve from translation differences	Capital reserve for financial instruments at fair value through other comprehensive income	Capital reserve	Hedge fund	Capital reserve for financial liabilities at fair value	Retained losses	Total capital
	Three months ended June 30, 2015 (Unaudited)									
Balance as at April 1, 2015	805,282	31,962	9,064	6,681	(6,565)	28,478	(1,013)	(964)	(162,980)	709,945
Profit for the period	--	--	--	--	--	--	--	--	115,949	115,949
Other comprehensive income (loss):										
Foreign currency translation differences for foreign operations	--	--	--	(1,459)	--	--	--	--	--	(1,459)
Change in fair value hedging costs, net of tax	--	--	--	--	--	--	1,202	--	--	1,202
Remeasurement of a defined benefit plan, net of tax	--	--	--	--	--	--	--	--	7,555	7,555
Net change in fair value of debentures at fair value through profit or loss, attributable to change in credit risk, net of tax	--	--	--	--	--	--	--	(1,293)	--	(1,293)
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	--	--	--	--	(273)	--	--	--	--	(273)
Total other comprehensive income (loss) for the period, net of tax	--	--	--	(1,459)	(273)	--	1,202	(1,293)	7,555	5,732
Total other comprehensive income (loss) for the period	--	--	--	(1,459)	(273)	--	1,202	(1,293)	123,504	121,681
Share-based payment	--	--	178	--	--	--	--	--	--	178
Balance as at June 30, 2015	805,282	31,962	9,242	5,222	(6,838)	28,478	189	(2,257)	(39,476)	831,804

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

Condensed Consolidated Interim Statements of Changes in Equity (Contd.)
USD thousands

	Share capital	Share premium	Capital reserve for share-based payment	Capital reserve from translation differences	Capital reserve for financial instruments at fair value through other comprehensive income	Capital reserve	Hedge fund	Capital reserve for financial liabilities at fair value	Retained earnings (losses)	Total capital
	Year ended December 31, 2015 (audited)									
Balance as at January 1, 2015	805,282	31,962	9,016	2,265	(6,568)	28,478	(2,140)	12,885	(226,977)	654,203
Profit for the year	--	--	--	--	--	--	--	--	224,644	224,644
Other comprehensive income (loss):										
Foreign currency translation differences for foreign operations	--	--	--	3,603	--	--	--	--	--	3,603
Change in fair value hedging costs, net of tax	--	--	--	--	--	--	3,353	--	--	3,353
Remeasurement of a defined benefit plan, net of tax	--	--	--	--	--	--	--	--	3,304	3,304
Net change in fair value of debentures at fair value through profit or loss, attributable to change in credit risk, net of tax	--	--	--	--	--	--	--	(16,509)	--	(16,509)
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	--	--	--	--	(239)	--	--	--	--	(239)
Total other comprehensive income (loss) for the year, net of tax	--	--	--	3,603	(239)	--	3,353	(16,509)	3,304	(6,488)
Total other comprehensive income (loss) for the year	--	--	--	3,603	(239)	--	3,353	(16,509)	227,948	218,156
Share-based payment	--	--	1,229	--	--	--	--	--	--	1,229
Balance as at December 31, 2015	805,282	31,962	10,245	5,868	(6,807)	28,478	1,213	(3,624)	971	873,588

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

Condensed Consolidated Interim Statements of Cash Flows
USD thousands

	Six months ended		Three months ended		Year ended
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from operating activities					
Profit for the period	114,800	185,021	86,672	115,949	224,644
Adjustments to cash flows from operating activities:					
Revenue and expenses not involving cash flows (Appendix A – section A)	141,477	193,217	82,520	112,914	314,826
	256,277	378,238	169,192	228,863	539,470
Changes in assets and liabilities (Appendix A – section B)	(12,113)	(248,996)	(60,739)	(104,745)	(363,490)
Income tax received (paid), net	(340)	1,025	(100)	(297)	524
Net cash from operating activities	243,824	130,267	108,353	123,821	176,504
Cash flow used for investing activities					
Interest received	667	467	556	381	1,370
Decrease (increase) in deposits, net	(18,301)	(13,364)	547	(21,306)	16,738
Dividend received from investees	1,689	856	378	--	883
Repayment (providing) of long-term loans from others, net	111	104	66	(32)	306
Repayment of loan from Haifa Early Pensions Ltd.	--	--	--	--	1,119
Proceeds from disposal of property, plant and equipment	--	--	--	--	844
Insurance proceeds on account of property, plant and equipment	--	--	--	--	2,012
Acquisition of property, plant and equipment (including periodic maintenance) (*)	(78,914)	(33,539)	(57,105)	(23,967)	(94,369)
Purchase of intangible assets and deferred expenses	(479)	(1,660)	(228)	(1,565)	(1,881)
Net cash used for investment activities	(95,227)	(47,136)	(55,786)	(46,489)	(72,978)
Cash flow from financing activities					
Short-term borrowing, net	(81,931)	7,784	(6,068)	7,813	5,580
Receipt (return) of deposits from customers and others, net	1,906	19,135	(467)	16,524	4,204
Interest paid	(59,063)	(60,946)	(40,558)	(35,171)	(127,728)
Derivative transactions, net	834	(9,052)	2,808	(6,605)	(17,399)
Receipt of bank loans	55,000	--	30,000	--	--
Repayment of long-term bank loans	(93,214)	(89,756)	(69,298)	(63,132)	(165,239)
Repayment of debentures	(66,846)	(109,432)	(32,092)	(76,730)	(142,296)
Issue of debentures, net	144,607	136,988	144,607	136,988	370,645
Net cash from (used for) financing activities	(98,707)	(105,279)	28,932	(20,313)	(72,233)
Net increase (decrease) in cash and cash equivalents	49,890	(22,148)	81,499	57,019	31,293
Effect of exchange rate fluctuations on cash and cash equivalents	1,447	(31)	(664)	(89)	63
Cash and cash equivalents at the beginning of the period	286,349	254,993	256,851	175,884	254,993
Cash and cash equivalents at the end of the period	337,686	232,814	337,686	232,814	286,349

(*) In the second quarter of 2016, periodic maintenance was performed in the Company's downstream facilities, including the benzene production facility and in all Carmel Olefins facilities, with a direct cost amounting to USD 50 million (in the Company, USD 4 million and in Carmel Olefins, USD 46 million). As at June 30, 2016, a total of USD 23 million has not yet been paid.

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

Condensed Consolidated Interim Statements of Cash Flows (Contd.)
USD thousands

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

	Six months ended		Three months ended		Year ended
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015
	(Unaudited)		(Unaudited)		(Audited)
A. Income and expenses not included in cash flows:					
Depreciation and amortization	65,434	64,720	33,378	32,605	136,055
Loss from impairment of cash-generating units	--	--	--	--	8,500
Financing expenses, net	43,499	85,072	19,638	56,577	139,239
Net changes in fair value of derivatives	(3,710)	5,341	(2,258)	--	3,064
Changes in fair value of the loan to Haifa Early Pensions Ltd.	(1,698)	(2,266)	748	(2,656)	229
Share in losses (profits) of equity-accounted investees	153	(378)	(64)	(207)	(770)
Capital gain from realization of property, plant and equipment	--	--	--	--	(1,752)
Loss (gain) from inventory sectors and change in inventory hedge deposits, net	13,780	(1,138)	7,590	3,343	(10,723)
Share-based payments	1,021	226	460	178	1,229
Income tax	22,998	41,640	23,028	23,074	39,755
	141,477	193,217	82,520	112,914	314,826
B. Changes in assets and liabilities					
Decrease (increase) in trade receivables	16,625	(30,521)	(19,917)	(97,922)	93,928
Decrease (increase) in other receivables	16,260	(25,767)	26,915	(4,219)	(9,122)
Decrease (increase) in inventory	(50,870)	(141,633)	(125,432)	(134,529)	60,973
Increase (decrease) in trade payables	16,826	(59,649)	95,150	101,404	(523,487)
Increase (decrease) in other payables and provisions	(11,211)	(4,646)	(35,568)	15,495	3,275
Increase (decrease) in employee benefits, net	257	13,220	(1,887)	15,026	10,943
	(12,113)	(248,996)	(60,739)	(104,745)	(363,490)

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. The Company’s shares are traded on the Tel Aviv Stock Exchange (“the TASE”). The Company and its subsidiaries are industrial companies which operate in Israel and are engaged primarily in the production of oil products, feedstock for the petrochemical industry, materials for the plastics industry, oils, waxes and byproducts. The facilities of the subsidiaries are integrated with those of the Company. The Company also provides water treatment and power generation services (mainly electricity and steam) to a number of industries adjacent to the Haifa refinery. The controlling shareholders in the Company are Israel Corporation Ltd. and Israel Petrochemical Enterprises Ltd.

B. The interim condensed consolidated interim financial statements as at June 30, 2016 include the statements of the Company and its subsidiaries (jointly: “the Group”) and the Group’s interests in associates.

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, 2015 and for the year then ended ("the Annual 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 August 10, 2016.

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 Statements, other than as set out in Note 3 below:

In the first quarter of 2016, there was a decrease in the interest curve of high quality corporate debentures used to measure the Group's net liabilities for defined benefit plans for employees in Israel. The effects of remeasurement of net actuarial liabilities to employees for this change, which were calculated by the Group's actuary, were reflected in an actuarial loss of USD 1.5 million, net of tax, which was recognized in the second quarter in other comprehensive income directly under retained earnings.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The Group's accounting policy in these condensed consolidated interim statements is the same policy applied in the Annual Statements, other than as set out below:

Accounting policy for new transactions or events

As from January 1, 2016, the Group's forward contracts for the purchase of naphtha are designated as hedging items for the purpose of cash flow hedge accounting for exposure to changes in market prices of projected acquisitions of crude oil. Accordingly, changes in the fair value of these derivatives are recognized from the start of the hedge through other comprehensive income, directly in a hedge fund, to the extent that the hedge is effective. Other fair value changes in these derivatives continue to be recognized in profit or loss under cost of sales. The amount recognized in the hedge fund is reclassified to profit or loss in the period that profit or loss is affected by the cash flows and is presented under cost of sales together with the hedged item.

If, in the subsequent period, the hedging instrument no longer meets the criteria for hedge accounting, the cumulative profit or loss presented in the hedge fund remains in the fund until the completion of the projected transaction underlying the hedging transaction. If the projected transaction is no longer expected to occur, the cumulative profit or loss in the hedge fund will be reclassified to profit or loss at that time.

NOTE 4 – SEGMENT REPORTING

Further to Note 28 to the Annual Statements, as from the end of 2015, the Group has four reportable segments, which constitute its strategic business units.

The comparative figures for the six and three months ended June 30, 2015 have been restated to reflect the change in the operating segments.

The other operating operations of the Group, which do not meet any of the quantitative thresholds, are presented together as from the end of 2015 under the "Other" segment.

Segment results are reported to the chief operating decision maker on the basis of accounting EBITDA (gross profit less selling, marketing and administrative expenses, plus depreciation and amortization), and in fuel sector, also on the basis of adjusted EBITDA.[1]

Other expenses/income which are not allocated to segments, and are not included in EBITDA, are reviewed by the chief operating decision maker, on a consolidated basis only.

[1] Adjusted accounting EBITDA has the following effects: (a) the method for recognizing derivatives under IFRS; (b) buying and selling timing differences of unhedged inventory; (c) adjustment of the hedged inventory value to market value.

USD thousands

NOTE 4 – SEGMENT REPORTING (CONTD.)

	Fuels	Polymers - Carmel Olefins	Aromatics	Polymers - Ducor	Total reportable segments	Others	Adjustments to consolidated	Consolidated
	Six months ended June 30, 2016 (unaudited)							
Revenue from external sources	1,504,049	246,572	182,724	97,979	2,031,324	25,593	--	2,056,917
Revenue from inter-segment sales	238,169	3,520	14,097	--	255,786	137	(255,923)	--
Segment revenue	1,742,218	250,092	196,821	97,979	2,287,110	25,730	(255,923)	2,056,917
Accounting EBITDA	153,855(1)	86,683	7,754	16,395	264,686	3,872	(1,890)	266,668
Depreciation and amortization	(38,982)	(15,879)	(2,508)	(2,168)	(59,537)	(560)	--	(60,097)
Accounting EBITDA less depreciation and amortization								206,571
Voluntary redundancy expenses								(1,011)
Amortization of excess cost arising on acquisition of subsidiaries								(5,337)
Operating profit								200,223
Financing expenses, net								(62,272)
Group's share in earnings of equity accounted investees, net of tax								(153)
Income before taxes on income								137,798

(1) Adjusted EBITDA in the fuel segment for the six months ended June 30, 2016 - USD 123,193 thousand.

USD thousands

NOTE 4 – SEGMENT REPORTING (Contd.)

	Fuels	Polymers - Carmel Olefins (*)	Aromatics	Oils and waxes	Trade	Polymers – Ducor (*)	Adjustments to consolidated	Consolidated
	Six months ended June 30, 2015 (unaudited)							
Revenue from external sources	2,261,556	329,748	217,234	25,017	--	122,667	--	2,956,222
Revenue from inter-segment sales	308,585	3,559	15,461	146	--	--	(327,751)	--
Segment revenue	2,570,141	333,307	232,695	25,163	--	122,667	(327,751)	2,956,222
Accounting EBITDA	261,240 (1)	92,951	11,250	2,036	7,683	10,365	(2,124)	383,401
Depreciation and amortization	(37,499)	(15,639)	(3,435)	(507)	--	(2,146)	--	(59,226)
Accounting EBITDA less depreciation and amortization								324,175
Voluntary redundancy expenses								(15,538)
Other revenue								1,233
Amortization of excess cost arising on acquisition of subsidiaries								(5,494)
Operating profit								304,376
Financing expenses, net								(78,093)
Group's share in earnings of equity accounted investees, net of tax								378
Income before taxes on income								226,661

(1) Adjusted EBITDA in the fuel segment for the six months ended June 30, 2015 - USD 279,065 thousand.

(*) Restated

USD thousands

NOTE 4 – SEGMENT REPORTING (Contd.)

	Fuels	Polymers - Carmel Olefins	Aromatics	Polymers – Ducor	Total reportable segments	Others	Adjustments to consolidated	Consolidated
	Three months ended June 30, 2016 (unaudited)							
Revenue from external sources	862,089	106,136	97,761	51,708	1,117,694	14,172	--	1,131,866
Revenue from inter-segment sales	113,007	1,427	6,792	--	121,226	71	(121,297)	--
Segment revenue	975,096	107,563	104,553	51,708	1,238,920	14,243	(121,297)	1,131,866
Accounting EBITDA	115,497(1)	36,628	2,947	9,387	164,459	1,120	4,703	170,282
Depreciation and amortization	(19,908)	(8,160)	(1,258)	(1,102)	(30,428)	(281)	--	(30,709)
Accounting EBITDA less depreciation and amortization								139,573
Voluntary redundancy expenses								(1,011)
Amortization of excess cost arising on acquisition of subsidiaries								(2,669)
Operating profit								135,893
Financing expenses, net								(26,257)
Group's share in earnings of equity accounted investees, net of tax								64
Income before taxes on income								109,700

(1) Adjusted EBITDA in the fuel segment for the three months ended June 30, 2016 - USD 58,040 thousand.

USD thousands

NOTE 4 – SEGMENT REPORTING (Contd.)

	Fuels	Polymers - Carmel Olefins (*)	Aromatics	Oils and waxes	Trade	Polymers – Ducor (*)	Adjustments to consolidated	Consolidated
	Three months ended June 30, 2015 (unaudited)							
Revenue from external sources	1,167,086	166,680	113,130	12,537	--	64,967	--	1,524,400
Revenue from inter-segment sales	162,351	1,620	7,734	86	--	--	(171,791)	--
Segment revenue	1,329,437	168,300	120,864	12,623	--	64,967	(171,791)	1,524,400
Accounting EBITDA	157,755(1)	48,159	6,377	1,589	3,181	9,574	(485)	226,150
Depreciation and amortization	(18,841)	(7,838)	(1,720)	(258)	--	(1,201)	--	(29,858)
Accounting EBITDA less depreciation and amortization								196,292
Voluntary redundancy expenses								(13,122)
Other revenue								1,233
Amortization of excess cost arising on acquisition of subsidiaries								(2,747)
Operating profit								181,656
Financing expenses, net								(42,840)
Group's share in earnings of equity accounted investees, net of tax								207
Income before taxes on income								139,023

(1) Adjusted EBITDA in the fuel segment for the three months ended June 30, 2015 - USD 119,416 thousand.

(*) Restated

USD thousands

NOTE 4 – SEGMENT REPORTING (Contd.)

	Fuels	Polymers - Carmel Olefins	Aromatics	Polymers – Ducor	Total reportable segments	Others	Adjustments to consolidated	Consolidated
	Year ended December 31, 2015 (audited)							
Revenue from external sources	4,157,321	649,877	397,977	232,974	5,438,149	52,824	--	5,490,973
Revenue from inter-segment sales	579,948	8,771	34,526	--	623,245	314	(623,559)	--
Segment revenue	4,737,269	658,648	432,503	232,974	6,061,394	53,138	(623,559)	5,490,973
Accounting EBITDA	326,358(1)	187,262	14,635	18,915	547,170	14,664	97	561,931
Depreciation and amortization	(81,509)	(31,190)	(6,957)	(4,282)	(123,938)	(1,127)	--	(125,065)
Accounting EBITDA less depreciation and amortization								436,866
Other revenue								2,298
Impairment loss								(8,500)
Voluntary redundancy expenses								(15,392)
Amortization of excess cost arising on acquisition of subsidiaries								(10,990)
Operating profit								404,282
Financing expenses, net								(140,390)
Group's share in earnings of equity accounted investees, net of tax								507
Income before taxes on income								264,399

(1) Adjusted EBITDA in the fuel segment 2015: USD 441,452 thousand.

NOTE 5 – CONTINGENT LIABILITIES, AGREEMENTS, GUARANTEES, AND LIENS

A. Contingent liabilities

1. Further to Note 20B to the Annual Statements, there were no significant changes in lawsuits, other contingent liabilities, and administrative procedures of Bazan Group in and subsequent to the reporting period, other than the following:

A) Further to Note 31A to the Annual Statements, on March 28, 2016, Carmel Olefins received an administrative order following the hearing and is negotiating with the Ministry of Environmental Protection in this respect. Carmel Olefins has implemented the first stages of the plan to control emissions in accordance with the administrative order and has reached the goals that were set out in the administrative order for these stages. The Company believes that the provisions for fugitive emissions that will apply to Carmel Olefins in this regard at the end of the process, will allow Carmel Olefins to continue to operate normally and will require it to continue to make long-term investments to reduce fugitive emissions in a similar scope to recent investments in this area .

B) Further to Notes 20B(2) and 31B to the Annual Statements, on April 19, 2016, the Company received an appeal against the judgment dismissing the motion for certification as a class action. The Company believes, based on the opinion of its legal counsel, that it is more likely than not that the appeal will be dismissed. On June 19, 2016, the Company and the other defendants in the case filed a counter-appeal against the judgment that was handed down by the district court.

The Company has insurance cover for its liability under this claim.

C) Further to Note 20B(3) to the Annual Statements, in the reporting period and after the mediation between the parties failed to produce results, the procedures in the appeal filed against Haifa Municipality at the Supreme Court continued. In accordance with the assessment of the Company's legal counsel, which is representing the Company in the lawsuit, the Group included a provision for the claim of Haifa Municipality (most of which is recognized in property, plant and equipment), which reflects the costs for these claims, which will more likely than not be paid.

2. As described in Note 20B(4) to the Annual Statements, there are legal, administrative, and other proceedings against Bazan Group regarding environmental quality. Based on the opinion of the legal counsel of the Company and its subsidiaries, the Company estimates that, at this stage, it is not possible to assess the effect of the aforesaid on the financial statements as at June 30, 2016, if any, therefore, no provision regarding this matter was included in the financial statements.

B. Agreements

Further to Note 20C to the Annual Statements, there were no significant changes in the Group's agreements in and subsequent to the reporting period.

C. Guarantees and liens

Further to Note 20A to the Annual Statements, there were no material changes in the Group's guarantees and pledges 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 - FINANCIAL COVENANTS

A. The Company

Further to Note 13C(1) to the Annual Statements, the following financial covenants apply to the banks and holders of private debentures as at June 30, 2016:

	Required	Required ratio/amount	Actual ratio/amount
Consolidated adjusted equity (USD million)	≤	750	1,313.5
Consolidated adjusted equity to total consolidated statement of financial position	≤	20.5%	39.7%
(Net debt plus factoring of receivables, consolidated) divided by the average consolidated annual adjusted EBITDA	≥	6.0	3.0
Consolidated principal and interest cover ratio	≤	1.1	2.3
Cash based on the separate financial statements (USD millions)	≤	75	353.5

In addition, as described in Note 14C to the Annual Statements, the Company is subject to financial covenants under the trust deeds of the debentures (Series D-G). Definitions and calculation of the covenants for debentures (Series D-G) are the same as or similar to the definitions and calculation of the covenants of the financing banks as set out above. Given the covenants applicable to the Company with the banks and the financial covenants set out in the deeds of trusts for debentures (Series D-G), the Company believes it is unlikely that the covenants opposite the debenture holders will be breached without breaching the covenants with the banks.

As at June 30, 2016, the Company is in compliance with the financial covenants for the loans and debentures.

Further to Note 14C to the Annual Statements, for the Company's debentures (Series G) only, the following financial covenants apply to Carmel Olefins as at June 30, 2016:

	Required	Required ratio/amount	Actual ratio/amount
Equity (USD millions)	≤	200	466.6
Total separate financial debt (USD millions)	≥	550	243.4
Consolidated principal and interest cover ratio	≤	1	2.39

B. Carmel Olefins

Further to Note 13D(1) to the Annual Statements, the following financial covenants, as defined in the Note, apply to the banks as at June 30, 2016:

	Required	Required ratio/amount	Actual ratio/amount
Consolidated intangible equity (USD million)	≤	220	459.2
Consolidated tangible equity of net total balance sheet	≤	24%	52.6%
Consolidated current assets to current liabilities	≤	0.8	1.1
Total financial debt (separate statement) (USD millions)	≥	500	291.3
Consolidated principal and interest cover ratio	≤	1.05	2.39
Consolidated cash (USD millions)	≤	10	26.3

As at June 30, 2016, Carmel Olefins is in compliance with the financial covenants that were set, including for the Company's debentures (Series G), as set out in section A above.

NOTE 6 - FINANCIAL COVENANTS (CONTD.)

C. Gadiv

In the second quarter of 2016, Gadiv and Company reached agreements with the banks, which mainly refer to the replacement of the long-term bank loan for Gadiv amounting to USD 30 million, with a long-term loan to the Company under the same terms (repayment schedule, interest rate); providing a guarantee by Gadiv to the bank for all of the Company's liabilities under this loan; and amendment of the financial covenants of Gadiv referring to the short-term loan.

Below are the covenants for the banks in respect of the secured short-term credit facilities of Gadiv, as from June 30, 2016.

	Required	**Required ratio/amount**
Net financial debt (1) to EBITDA (2)	≥	4.5 (*)
Tangible equity (3) to tangible balance sheet (4)	≥	25%
Tangible equity (3) (USD millions)	≥	75

(1) Net financial debt: the liabilities to financial institutions plus liabilities to third parties that factored trade receivables, less cash and cash equivalents and deposits in banks, provided they are not pledged to any third party, and short-term investments and marketable securities.

(2) EBITDA: gross profit less selling, general administrative, and marketing expenses, plus depreciation and amortization

A. Calculation of EBITDA will also include payments for one-time indemnity received from third parties.

B. EBITDA will be calculated according to the higher of: (a) EBITDA in the four quarters prior to the measurement date; or (b) EBITDA in the two quarters prior to the measurement date, multiplied by two. It is clarified that if the EBITDA includes payments for indemnification, as described in subsection (a) above, these payments will not by multiplied by two, but will be included once only in the EBITDA calculation.

C. Gadiv may elect not to include maintenance quarters, as defined below, in EBITDA. If the EBITDA does not include a maintenance quarter, then instead of that quarter, the EBITDA will include the prior quarter that is closest to the maintenance quarter, so that in any event, four quarters will always be taken into account. Accordingly, in this case, EBITDA will not be calculated as described in subsection (b0 above. It is clarified that, over a period of five consecutive years, no more than two maintenance quarters will be adjusted.
Maintenance quarters refer to quarters in which Gadiv and/or the Company perform periodic maintenance of plants at least once every four or five years for each plant, which continues for no less than 30 days and its effect on EBITDA exceeds USD 5 million per quarter.

(3) Tangible equity: equity less non-controlling interests, plus subordinated shareholder loans and less (1) non-subordinated loans provided by Gadiv to the owners; (2) deferred expenses; and (3) intangible assets.
The calculation of tangible equity will not include a provision for impairment of assets in accordance with IAS 36, which was recognized up to an amount of USD 10 million, for two consecutive quarters from the quarter of initial recognition.

(4) Total tangible balance sheet: the total balance sheet less (1) non-subordinated loans provided by Gadiv to the owners; (2) deferred expenses; and (3) intangible assets.
If the provision for impairment is adjusted in the tangible equity calculation, the adjustment amount will be added to the total tangible balance sheet.

(*) If, at any measurement date, the ratio between the net financial debt to EBITDA exceeds 4.5 by no more than 10%, this will not be considered a breach of the covenant, and if no later than the end of two consecutive quarters subsequent to the relevant measurement date, this ratio is amended and does not exceed 4.5.

NOTE 6 - FINANCIAL COVENANTS (CONTD.)

Financial covenants, as defined above, as of June 30, 2016:

	Required	Required ratio/amount	Actual ratio/amount
Net financial debt to EBITDA	≥	4.5	1.0
Tangible equity to tangible balance sheet	≥	25%	63.3%
Tangible equity (USD millions)	≥	75	111.4

As at June 30, 2016, Gadiv is in compliance with the financial covenants that were established.

NOTE 7 - FINANCIAL INSTRUMENTS - FAIR VALUE

A. Fair value of financial instruments for disclosure purposes only

The carrying amount of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, financial assets at fair value through other comprehensive income, short-term loans, deposits, financial derivatives, bank overdraft, short-term loans and borrowings, trade payables, other payables, liability for finance lease and marketable debentures (other than Series D-F), are the same as or close to their fair value.

Fair value of financial liabilities, together with the carrying amounts shown in the statement of financial position:

	June 30, 2016			
	Liability value (par value)	Carrying amount	Fair value level 1	Fair value level 2
Financial liabilities				
Private debentures [3]	12,941	12,941	--	13,762
Marketable debentures (Series F) [1], [3]	310,706	315,713	330,915	--
Marketable debentures (Series D-E) [1], [4]	363,289	374,903	398,344	--
Bank loans [2]	629,706	617,181	--	639,922
	1,316,642	1,320,738	729,259	653,684

(1) The fair value is based on the quoted price on the TASE on June 30, 2016

(2) The carrying amount is presented net of costs of raising the loans.

(3) The carrying amount of the private debentures and of debentures (Series E) is presented at amortized cost (net of raising costs).

(4) The carrying amount of debentures (Series D and E) is presented at amortized cost (net of raising costs) after application of fair-value hedge accounting.

	June 30, 2016	
	Liability value (par value)	Carrying amount
Debentures at fair value:		
Series A marketable debentures	247,828	263,524
Series G marketable debentures	132,359	144,673
	380,187	408,197

USD thousands

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

A. Fair value of financial instruments for disclosure purposes only (contd.)

	June 30, 2015			
	Liability value (par value)	Carrying amount	Fair value level 1	Fair value level 2
Financial liabilities				
Private debentures [3]	17,888	17,888	--	19,222
Marketable debentures (Series F) [1], [3]	99,037	98,103	101,166	--
Marketable debentures (Series D-E) [1], [4]	220,353	216,519	228,803	--
Liabilities to banks [2]	743,405	727,060	--	733,980
	1,080,683	1,059,570	329,969	753,202

(1) The fair value is based on the quoted price on the TASE on June 30, 2015

(2) The carrying amount is presented net of costs of raising the loans.

(3) The carrying amount of the private debentures and of debentures (Series E) is presented at amortized cost (net of raising costs).

(4) The carrying amount of debentures (Series D and E) is presented at amortized cost (net of raising costs) after application of fair-value hedge accounting.

	June 30, 2015	
	Liability value (par value)	Carrying amount
Debentures at fair value:		
Series A marketable debentures	318,673	336,325
Series G marketable debentures	170,196	184,535
	488,869	520,860

	December 31, 2015			
	Liability value (par value)	Carrying amount	Fair value Level 1	Fair value Level 2
Financial liabilities				
Private debentures [3]	15,009	15,009	--	15,873
Marketable debentures (Series F) [1], [3]	234,913	237,060	241,725	--
Marketable debentures (Series D-E) [1], [4]	300,411	300,936	324,428	--
Bank loans [2]	667,921	653,655	--	672,422
	1,218,254	1,206,660	566,153	688,295

(1) The fair value is based on the quoted price on the TASE on December 31, 2015

(2) The carrying amount is presented net of costs of raising the loans.

(3) The carrying amount of the private debentures and of debentures (Series E) is presented at amortized cost (net of raising costs).

(4) The carrying amount of debentures (Series D and E) is presented at amortized cost (net of raising costs) after application of fair-value hedge accounting.

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

A. Fair value of financial instruments for disclosure purposes only (contd.)

	December 31, 2015	
	Liability value (par value)	Carrying amount
Debentures at fair value:		
Series A marketable debentures	275,917	288,930
Series G marketable debentures	163,735	175,400
	439,652	464,330

For further information about fair value measurement of financial liabilities, see Note 4 to the Annual Statements.

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, based on timing, using assessment methodology according to fair value hierarchy. The levels are defined as follows:

Level 1: quoted prices (unadjusted) in an active market for identical instruments

Level 2: observable market inputs, direct or indirect, other than Level 1 inputs

Level 3: inputs not based on observable market data

For further information about fair value measurement, see Note 4 to the Annual Statements.

USD thousands

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

B. Fair value hierarchy of financial instruments measured at fair value (contd.)

	June 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivatives used for accounting hedging				
CCIRS	--	5,776	--	5,776
Derivatives for inventory	394	--	--	394
Derivatives that are not used for accounting hedging				
CCIRS	--	8,394	--	8,394
Forward contracts	--	1,214	--	1,214
Derivatives for inventory	42	--	4,772	4,814
Financial assets at fair value through other comprehensive income				
Marketable shares	46	--	--	46
	482	15,384	4,772	20,638
Financial liabilities				
Non-derivative				
Series A, G marketable debentures	408,197	--	--	408,197
Derivatives used for accounting hedging				
CCIRS	--	5,232	--	5,232
Derivatives for inventory	68	--	--	68
Derivatives that are not used for accounting hedging				
CCIRS	--	23,310	--	23,310
Derivatives for inventory	1,108	7,170	--	8,278
Forward contracts	--	14	--	14
Interest rate swaps:	--	448	--	448
	409,373	36,174	--	445,547

USD thousands

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

B. Fair value hierarchy of financial instruments measured at fair value (contd.)

	June 30, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Non-derivative				
Financial assets at fair value through profit or loss	11	--	--	11
Derivatives used for accounting hedging				
CCIRS	--	1,796	--	1,796
Derivatives that are not used for accounting hedging				
CCIRS	--	17,917	--	17,917
Interest rate swaps:	--	358	--	358
	11	20,071	--	20,082
Financial liabilities				
Non-derivative				
Series A marketable debentures	520,860	--	--	520,860
Derivatives used for accounting hedging				
CCIRS	--	7,724	--	7,724
Derivatives that are not used for accounting hedging				
CCIRS	--	15,650	--	15,650
Derivative for special fees to banks	--	10,928	--	10,928
Derivatives for inventory	4,020	11,148	1,178	16,346
Forward contracts	--	6,311	--	6,311
Interest rate swaps:	--	3,203	--	3,203
	524,880	54,964	1,178	581,022

USD thousands

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

B. Fair value hierarchy of financial instruments measured at fair value (contd.)

	December 31, 2015		
	Level 1	**Level 2**	**Total**
Financial assets			
Derivatives used for accounting hedging			
CCIRS	--	23	23
Derivatives that are not used for accounting hedging			
CCIRS	--	8,864	8,864
Interest rate swaps:	--	187	187
Forward contracts	--	1,495	1,495
Financial assets at fair value through other comprehensive income			
Marketable shares	86	--	86
	86	10,569	10,655
Financial liabilities			
Non-derivative			
Series A, G marketable debentures	464,330	--	464,330
Derivatives used for accounting hedging			
CCIRS	--	12,111	12,111
Derivatives that are not used for accounting hedging			
CCIRS	--	32,530	32,530
Derivatives for inventory	10,195	5,892	16,087
Interest rate swaps:	--	1,171	1,171
	474,525	51,704	526,229

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

A. Change in the rate of corporate tax

On January 4, 2016, the Knesset passed Amendment 216 to the Income Tax Ordinance, 2016, which prescribes a gradual decrease of 1.5% in the rate of corporate tax, as from January 1, 2016, to a rate of 25%.

The deferred tax balances as at June 30, 2016 were based on the new tax rates set out in the Amendment to the Income Tax Ordinance, according to the expected tax rate at the reversal date. The effect of the change as at January 1, 2016, which was recognized in the reporting period, is reflected in net deferred tax assets of USD 3.5 million, against a deferred tax expense of USD 3.5 million.

B. On May 4, 2016, the special general meeting of the Company's shareholders approved an annual grant of NIS 750 thousand to David Federman, a controlling shareholder of the Company, for his position as chairman of the board of directors of Carmel Olefins in 2015, and a grant of NIS 600 thousand to Aharon (Arik) Yaari, the former CEO (following the approval of the compensation committee and Board of Directors), The Company recognized these expenses in the annual financial statements as at December 31, 2015.

NOTE 8 – MATERIAL EVENTS IN AND SUBSEQUENT TO THE REPORTING PERIOD (CONTD.)

C. Options granted in the reporting period:

On March 22, 2016, the Company's Board of Directors allocated 3,700,000 options to an officer of the Company (following the decision of the Company's compensation committee). For further information about the terms of the options and their fair value measurement, see Note 21B(3) to the Annual Statements. The fair value of the benefit at the grant date amounted to NIS 0.5 million.

D. Further to Note 6 to the Annual Statements regarding the factoring agreements of the Company and Carmel Olefins, as at June 30, 2016, the Company and Carmel Olefins derecognized an amount of USD 132 million and USD 48 million, respectively, from their trade receivables. In addition, further to Note 6 to the Annual Statements, in the reporting period, Gadiv signed an agreement with another bank for the non-recourse sale of certain trade receivables, which are secured by credit insurance, in a maximum amount of USD 20 million, such that as at the reporting date, Gadiv has agreements for the sale of trade receivables under factoring agreements in a maximum cumulative amount of USD 40 million. As at June 30, 2016, Gadiv derecognized trade receivables of USD 31 million, by virtue of these agreements and former agreements.

E. Further to Note 14A(4) to the Annual Statements, in the first quarter of 2016, the Company entered into swap transactions amounting to USD 38 million to reduce currency and interest rate exposure for expansion of debentures (Series E) in December 2015 and elected to apply fair value hedge accounting for the expansion.

F. Issuance of debentures by way of expansion of Series E and F:

On April 21, 2016, an offering was carried out by way of expansion of NIS 225,005 thousand par value Debentures (Series 6) and NIS 293,774 thousand par value Debentures (Series F) were issued (linked to the USD). The proceeds from the offering, net of costs of raising the capital, amounted to NIS 145 million.

For further information about Debentures (Series E and F) and the rating of the Company's debentures, see Note 14B to the Annual Statements.

G. On May 31, 2016, Maalot (S&P) affirmed the rating of BBB+ for the Company's public debentures and the rating outlook was upgraded from stable outlook to positive outlook.

H. Further to Note 18 A(3) to the Annual Statements regarding cash bonuses based on the price of the Company's shares, which was approved for the employees, in the second quarter of 2016, the Group companies reached an agreement with the employees' representatives to cancel the bonus. The financial effect for cancellation of the bonus, which was recognized in the quarter, is not material.

I. In and subsequent to the reporting period, Carmel Olefins, Gadiv, and Haifa Basic Oils received emissions permits from the Ministry of Environmental Quality, which are valid for seven years, until 2023.

The Company and its subsidiaries are reviewing the details of the emissions permits that were published and assessing the actions that will be required following their publication, including the investments required in the subsidiaries' facilities for the purpose of compliance with the provisions of these permits, and their scope.

Bazan Limited

Condensed Separate Interim Financial Information

as at June 30, 2016

(Unaudited)

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

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The only binding version of this document is the Hebrew version.

Somekh Chaikin
7 Nachum Het Street
P.O Box 15142
Haifa 3190500
04 4800861

The Shareholders of Bazan Ltd.

Dear Sirs,

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

Introduction

We have audited the separate financial statements presented pursuant to Article 38(D) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, of Oil Refineries Ltd. ("the Company") as at June 30, 2016 and for the six and three month periods then ended. The separate interim financial information is the responsibility of the Company's management and board of directors. Our responsibility is to express an opinion on the separate interim financial information based on our review.

We did not review the separate interim financial statements of investees in which the amount of USD 6,953 million was invested as at June 30, 2016, and whose profits amounted USD 14,892 and USD 8,276 million, respectively for the six and three month periods then ended. The financial statements of those companies were reviewed by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the financial statements for those companies, is based on the reports of the other auditors.

Review scope

We conducted our review in accordance with Accounting Standard No. 1 – 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 separate 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 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 and the review of other accountants, nothing has come to our attention that causes us to believe that this separate interim financial information is not prepared, in all material respects, in accordance with the provisions of Article 38(D) of the Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our above opinion, we draw your attention to the content of Note 3 to the separate financial information (including by way of reference to the contents of Note 5 to the separate financial information for 2015 and the content of Note 20 to the 2015 consolidated financial statements of the Company), with regard to legal proceedings, other contingencies, and laws and regulations relating to the environment. Based on the opinions of its legal counsel, the Company management believes that it is not possible at this stage to assess the effect of the foregoing on the results of its operations and financial situation, if any exists, and therefore, no provision regarding this matter was included in the financial statements.

Somekh Chaikin

Certified Public Accountants

Haifa, August 10, 2016

Condensed Separate Interim Information on Financial Position
USD thousands

	As at		
	June 30, 2016	June 30, 2015	December 31, 2015
	(Unaudited)		(Audited)
Current assets			
Cash and cash equivalents	291,687	202,974	254,415
Deposits	51,667	9,164	20,373
Trade receivables	303,080	397,157	231,396
Other receivables	21,256	53,246	37,525
Maturity of a loan to Carmel Olefins	33,090	--	32,747
Financial derivatives	3,074	4,072	3,252
Inventory	417,320	543,289	349,605
Total current assets	1,121,174	1,209,902	929,313
Non-current assets			
Investments with respect to investees, net	785,042	706,488	765,480
Investments in financial assets at fair value through other comprehensive income	46	--	38
Loan to Haifa Early Pensions Ltd.	49,991	54,667	52,077
Loan to Carmel Olefins, net	105,740	--	138,957
Long term loans and debit balances	10,443	65,408	45,252
Financial derivatives	11,518	10,858	6,706
Deferred tax assets, net	27,825	30,712	39,939
Property, plant and equipment, net	1,250,826	1,243,022	1,246,927
Intangible assets and deferred expenses, net	9,994	10,299	10,062
Total non-current assets	2,251,425	2,121,454	2,305,438
Total assets	3,372,599	3,331,356	3,234,751

Ovadia Eli	**Avner Maimon**	**Israel Lederberg**
Chairman, Board of Directors	**CEO**	**CFO**

Date of approval of the separate financial information: August 10, 2016

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

Condensed Separate Interim Information on Financial Position
USD thousands

	As at		
	June 30, 2016	June 30, 2015	December 31, 2015
	(Unaudited)		(Audited)
Current liabilities			
Loans and borrowings	241,064	261,083	256,010
Trade payables	569,989	993,762	515,574
Other payables	69,577	92,972	111,719
Financial derivatives, net	17,367	36,189	17,773
Provisions	31,286	17,792	24,563
Total current liabilities	929,283	1,401,798	925,639
Non-current liabilities			
Liabilities to banks	411,769	450,244	412,104
Debentures, net	977,578	587,410	935,558
Other long-term liabilities	18,654	9,161	23,971
Financial derivatives, net	16,044	18,055	33,483
Employee benefits, net	31,000	32,884	30,408
Total non-current liabilities	1,455,045	1,097,754	1,435,524
Total liabilities	2,384,328	2,499,552	2,361,163
Capital			
Share capital	805,282	805,282	805,282
Share premium	31,962	31,962	31,962
Capital reserves	36,616	34,036	35,373
Retained earnings (losses)	114,411	(39,476)	971
Total capital	988,271	831,804	873,588
Total liabilities and capital	3,372,599	3,331,356	3,234,751

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

Condensed Separate Interim Information on Profit and Loss and Other Comprehensive Income
USD thousands

	Six months ended		Three months ended		Year ended
	June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**	**December 31, 2015**
	(Unaudited)		**(Unaudited)**		**(Audited)**
Revenue	1,742,218	2,570,141	975,096	1,329,437	4,737,269
Cost of sales	1,594,767	2,313,260	864,442	1,173,841	4,429,919
Gross profit	147,451	256,881	110,654	155,596	307,350
Selling and marketing expenses	(15,364)	(18,608)	(7,598)	(9,485)	(33,443)
General and administrative expenses	(17,133)	(14,498)	(7,436)	(7,158)	(28,480)
Other revenue	--	240	--	240	1,312
Voluntary redundancy income (expenses)	1,384	(15,128)	(117)	(13,112)	(13,849)
Operating profit	116,338	208,887	95,503	126,081	232,890
Finance revenues	10,941	20,051	(10,277)	3,477	6,550
Financing expenses	(63,111)	(73,048)	(12,081)	(35,176)	(111,362)
Financing expenses, net	(52,170)	(52,997)	(22,358)	(31,699)	(104,812)
Company's share in profits (losses) of investees, net of tax	62,448	54,820	30,339	37,181	112,389
Income before taxes on income	126,616	210,710	103,484	131,563	240,467
Income tax	(11,816)	(25,689)	(16,812)	(15,614)	(15,823)
Net profit for the period	**114,800**	**185,021**	**86,672**	**115,949**	**224,644**
Items of other comprehensive income (loss) after initial recognition in comprehensive income is transferred to profit or loss					
Other comprehensive income (loss) for investees, net of tax	737	2,957	1,311	(1,459)	3,603
Changes in fair value hedging costs, net of tax	2,442	2,329	978	1,202	3,353
Other comprehensive income (loss) for the period transferred to profit or loss, net of tax	3,179	5,286	2,289	(257)	6,956
Items of other comprehensive income (loss) not transferred to profit or loss					
Reclassification of defined benefit plan, net to tax	(928)	1,466	(928)	4,980	2,512
Net change in fair value of debentures at fair value through profit or loss, attributable to change in credit risk, net of tax (*)	(2,964)	(11,911)	(3,668)	(2,193)	(13,697)
Other comprehensive income (loss) for investees, net of tax	(432)	(2,217)	(432)	3,475	(2,020)
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	7	(270)	(7)	(273)	(239)
Other comprehensive income (loss) for the period, not transferred to profit or loss, net of tax	(4,317)	(12,932)	(5,035)	5,989	(13,444)
Comprehensive income for the period:	**113,662**	**177,375**	**83,926**	**121,681**	**218,156**

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

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Condensed Separate Interim Information of Cash Flows
USD thousands

	Six months ended		Three months ended		Year ended
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from operating activities					
Profit for the period	114,800	185,021	86,672	115,949	224,644
Adjustments required to present cash flows for operating activities:					
Revenue and expenses not involving cash flows (Appendix A – section A)	40,790	76,120	36,074	40,525	84,355
	155,590	261,141	122,746	156,474	308,999
Changes in assets and liabilities (Appendix A – section B)	(107,780)	(198,135)	(69,575)	(62,802)	(258,412)
Income tax received (paid), net	(178)	1,285	--	(197)	933
Net cash from operating activities	47,632	64,291	53,171	93,475	51,520
Cash flows from investment activities					
Interest received	8,711	4,307	2,317	4,150	10,666
Decrease (increase) in deposits, net	(18,200)	(13,337)	624	(21,392)	16,797
Dividend received from investees	43,557	856	378	--	883
Repayment (providing) of long-term loans from others, net	65	4	43	(74)	124
Repayment of loan from Carmel Olefins for swap of Carmel Olefrins debentures (*)	32,880	--	--	--	--
Repayment of loan from Haifa Early Pensions Ltd.	--	--	--	--	1,119
Purchase of property, plant and equipment	(35,046)	(27,648)	(21,550)	(20,443)	(76,934)
Proceeds from disposal of property, plant and equipment	--	--	--	--	844
Purchase of intangible assets and deferred expenses	(479)	(1,636)	(228)	(1,565)	(1,860)
Net cash from (used for) investment activities	31,488	(37,454)	(18,416)	(39,324)	(48,361)
Cash flow from financing activities					
Short-term borrowing, net	(3,844)	1,077	--	1,165	(13)
Receipt (return) of deposits, net	1,906	19,135	(467)	16,524	4,204
Interest paid	(55,679)	(50,259)	(39,891)	(33,060)	(108,083)
Derivative transactions, net	2,517	(7,063)	2,893	(6,605)	(15,410)
Increase (decrease) in cash from funding activities with investees, net	(67,822)	(509)	(42,437)	1,129	16,534
Receipt of long-term bank loans	55,000	--	30,000	--	--
Repayment of long-term bank loans	(52,009)	(78,551)	(33,696)	(57,530)	(139,080)
Repayment of debentures	(66,846)	(77,857)	(32,092)	(76,730)	(110,721)
Issue of debentures, net	144,607	136,988	144,607	136,988	370,645
Net cash from operations (used for financing operations)	(42,170)	(57,039)	28,917	(18,119)	18,076
Net increase (decrease) in cash and cash equivalents	36,950	(30,202)	63,672	36,032	21,235
Effect of exchange rate fluctuations on cash and cash equivalents	322	(114)	(1,151)	179	(110)
Cash and cash equivalents at the beginning of the period	254,415	233,290	229,166	166,763	233,290
Cash and cash equivalents at the end of the period	291,687	202,974	291,687	202,974	254,415

(*) Also see Note 14A2 to the consolidated financial statements.

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

Condensed Separate Interim Information of Cash Flows (contd.)
USD thousands

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

		Six months ended		Three months ended		Year ended
		June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**	**December 31, 2015**
		(Unaudited)		**(Unaudited)**		**(Audited)**
A.	**Income and expenses not that do not involve cash flows**					
	Depreciation and amortization	39,031	37,548	19,932	18,865	81,606
	Proceeds from disposal of property, plant and equipment	--	--	--	--	(805)
	Financing expenses, net	43,310	65,514	23,009	42,398	106,821
	Net changes in fair value of derivatives	(3,656)	5,428	(1,968)	25	3,232
	Changes in fair value of a loan to Haifa Early Pensions Ltd.	(1,698)	(2,266)	748	(2,656)	229
	Share in earnings of investees, net	(62,448)	(54,820)	(30,339)	(37,181)	(112,652)
	Loss (income) from stockpile derivatives and changes in inventory hedging deposits, net	13,780	(1,138)	7,590	3,343	(10,723)
	Share-based payments	655	165	290	117	824
	Income tax	11,816	25,689	16,812	15,614	15,823
		40,790	76,120	36,074	40,525	84,355
B.	**Changes in assets and liabilities**					
	Decrease (increase) in trade receivables	(71,684)	30,790	(32,961)	(46,010)	196,551
	Decrease (increase) in other receivables	21,392	(31,138)	26,212	(15,728)	(15,357)
	Decrease (increase) in inventory	(64,481)	(163,065)	(142,831)	(128,425)	30,619
	Increase (decrease) in trade payables	45,384	(48,402)	120,900	100,153	(509,122)
	Increase (decrease) in other payables and provisions	(37,825)	791	(39,200)	12,935	27,301
	Increase (decrease) in employee benefits, net	(566)	12,889	(1,695)	14,273	11,596
		(107,780)	(198,135)	(69,575)	(62,802)	(258,412)

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

ADDITIONAL INFORMATION

1. General

A. The condensed separate interim financial information of the Company as at March 31, 2015 are presented in accordance with the provisions of Regulation 9C and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970 relating to the condensed separate interim financial information of a company. This information should be read in conjunction with the separate financial information as at December 31, 2015 (the "Annual Reports") and the condensed interim consolidated financial statements as at June 30, 2016 ("the Consolidated Financial Statements").

B. Definitions:

The Company - Bazan Ltd.

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

2. Significant Accounting Standards applied in the Separate Financial Information

The accounting standards applied in these condensed interim separate financial information are in accordance with the accounting standards set out in Note 2 to the Annual Reports and Note 3 to the Consolidated Financial Statements.

3. Contingent liabilities, contracts, guarantees and attachments

For details see Note 5 to the Consolidated Financial Statements.

4. Financial covenants

For details see Note 6 to the Consolidated Financial Statements.

5. Significant events during and subsequent to the reporting period

A. On March 22, 2016 the boards of directors of Gadiv and of Haifa Basic Oils announced the distribution of a dividend to the Company in the amount of USD 32 million and USD 10 million, respectively, which was received on March 23, 2016.

B. For further information see Notes 6 and 8 to the Consolidated Financial Statements.