



The National Coal Supply Corporation Ltd.

Financial Statements

2023

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The National Coal Supply Corporation Ltd.

Financial Statements

2023

Management

Moshe Bornstein
President and CEO

Barak Silverstein
Head of Finance Division

Paz Oref
Head of Shipping Division

Anna Yadgarov
Head of Commerce Division

Merav Shapira
Corporate Secretary

Board of Directors

Oren Helman
Shlomo Tsarfati
Masha Aloni
Wesam Abu-Maarof
Liat Ben-Uziel
Yossi Tamar

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**The National Coal Supply Corporation Ltd.
Financial Statements**

As of December 31, 2023

The National Coal Supply Corporation Ltd.
Financial Statements as of December 31, 2023

Table of Contents

	<u>Page</u>
Auditor's Report	1-2
Statements of Company Officers	3-5
Statements of Financial Position	6
Statements of Income and Comprehensive Income	7
Statements of Changes in Shareholders' Equity	8
Statements of Cash Flow	9-10
Notes to the Financial Statements	11-62

Auditors' Report to the Shareholders of The National Coal Supply Corporation Ltd.

In accordance with the Government Companies Regulations (Additional Reports on the Effectiveness of Internal Control of Financial Reporting), 2007

We have audited the internal control of financial reporting in The National Coal Supply Corporation Ltd. ("the Company") as of December 31, 2023, based on the criteria set forth in the Committee of Sponsoring Organizations of the Treadway Commission's ("COSO") Internal Control - Integrated Framework publication. The Company's Board of Directors and Management are responsible for establishing effective internal control of financial reporting and for their assessment concerning the effectiveness of internal control of financial reporting, included in the attached Board of Directors' and Management's Report Concerning Internal Control of Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the U.S. Public Company Accounting Oversight Board ("PCAOB") for auditing internal control of financial reporting, as these were adopted by the Institute of Certified Public Accountants in Israel. According to these standards, we are required to plan and execute the audit so as to achieve reasonable assurance of the implementation, in all material aspects, of effective internal control of financial reporting. Our audit included obtaining familiarization with internal control of financial reporting, assessing the risk for material weaknesses and examining and assessing the effectiveness of the planning and implementation of internal control based on the assessed risk. Our audit also included the implementation of other procedures deemed necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion. We believe that our audit provides a reasonable basis for our opinion.

Internal control of financial reporting in government companies is a process designed to provide reasonable assurance concerning the reliability of financial reporting and the preparation of financial statements for external purposes, in keeping with International Financial Reporting Standards ("IFRSs"), the Securities Regulations (Annual Financial Statements), 2010, and the directives of the Government Companies Authority. Internal control of financial reporting in government companies includes those policies and procedures which: (1) pertain to reasonably-detailed record-keeping, which accurately and adequately reflects transactions and transfers involving company assets (including transfer of ownership from the company); (2) provide reasonable assurance that transactions are properly recorded so as to allow preparation of financial statements in keeping with IFRS, the Securities Regulations (Annual Financial Statements), 2010, and the directives of the Government Companies Authority, and that cash inflows and outflows are only made according to the permissions set forth by the company's board of directors and management and subject to the approval of State authorities as mandated by law; and (3) provide reasonable assurance concerning the prevention or timely disclosure of unauthorized acquisition, use or transfer (including transfer of ownership) of company assets, which may materially affect the financial statements.

Due to inherent limitations, internal control of financial reporting may fail to prevent or uncover misstatement. Furthermore, forward-looking conclusions based on present assessments of effectiveness are subject to risk that controls may become inadequate due to changing circumstances, or that that implementation of policies or procedures may be adversely affected.

In our opinion, the Company has implemented, in all material aspects, effective internal control of financial reporting as of December 31, 2023, based on the criteria set forth in the COSO Internal Control - Integrated Framework publication.

We also audited, according to generally accepted auditing standards in Israel, the Company's financial statements as of December 31, 2023, and for the year then ended, and our report of March 12, 2024 includes an unqualified opinion for those financial statements.

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Chaikin Cohen Rubin & Co.
Certified Public Accountants (Isr.)

Tel Aviv, March 12, 2024

Auditor's Report

To the Shareholders of The National Coal Supply Corporation Ltd.

We have audited the accompanying statements of financial position of The National Coal Supply Corporation Ltd. ("Company" or "NCSC") as of December 31, 2023 and 2022 its statements of income, comprehensive income, statements of changes in shareholder equity, and statements of cash flows for each of the three years in the period ended December 31, 2023. The Company's Board of Directors and management are responsible for these financial statements. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit according to generally accepted auditing standards in Israel, including standards set forth in the Accountants Regulations (Manner of an Accountant's Operation), 1973. According to these standards, we are required to plan and execute the audit so as to achieve reasonable assurance that the financial statements do not contain any material misrepresentation. An audit includes examining a sample of evidence supporting the amounts and disclosures included in the financial statements. An audit also includes a review of the accounting principles applied, and any significant estimates made by the Company's Board of Directors and management, as well as an evaluation of the overall adequacy of the presentation made in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Company as of December 31, 2023 and 2022, and its operating results, changes in equity and cash flows for each of the three years for the period ended December 31, 2023, in accordance with International Financial Reporting Standards ("IFRSs") and the provisions of the Securities Regulations (Preparation of Annual Financial Statements), 2010.

The financial statements include information required in accordance with the directives of the Israel Government Companies Authority.

Without qualifying our opinion, we draw attention to the content of Note 4 regarding the balance of the Electric Corporation's debt, as mentioned in Note 17 a regarding the agreement with the electric Corporation, the Company's main customer, and as mentioned in Note 17 a regarding a reduction in the use of coal.

Pursuant to US PCAOB standards regarding an audit of internal controls over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel, we have also audited the Company's internal controls over financial reporting as of December 31, 2023, based on criteria established by the COSO Internal Control-Integrated Framework. Our report dated March 12, 2024, includes our unqualified opinion regarding the effectiveness of the Company's internal controls over financial reporting.

Key audit matters

Key audit matters are matters that were communicated, or were required to be communicated, to the company's board of directors and that, in our professional judgment, were of most significance in the audit of the financial statements for the current period. These matters include, among others, any matter that:

(1) relates to, or may relate to, significant items or disclosures in the financial statements and (2) our judgment regarding it was particularly challenging, subjective, or complex. We determined that there are no key audit matters to communicate.

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Chaikin Cohen Rubin & Co.
Certified Public Accountants (Isr.)

Tel Aviv, March 12, 2024

STATEMENT OF THE PRESIDENT & CEO OF THE NATIONAL COAL SUPPLY CORPORATION LTD.

In accordance with the Government Companies Regulations (Additional Report on Actions Taken and Representations Made to Ensure Accuracy of Financial Statements and Board of Directors' Reports), 2005

I, Moshe Bornstein, declare:

1. I have reviewed the financial statements and the Board of Directors' report of the National Coal Supply Corporation ("Company") as of December 31, 2023 (jointly - "the Reports").
2. To the best of my knowledge, having reviewed the reports, these reports are free of any misrepresentation of material facts and are not lacking any representation of material facts required for the representations made, under the circumstances in which they were made, so as not to be misleading in reference to the period covered by the reports.
3. Having reviewed the reports, and to the best of my knowledge, the financial statements and other financial information included in the Board of Directors' report, adequately reflect, in all material aspects, the Company's financial position, operating results, changes in shareholder equity and cash flows as of the dates and for the periods presented in the reports.
4. Along with others in the Company making this statement, I am responsible for setting and maintaining internal Company controls and procedures for the purpose of required disclosure in the reports. Accordingly, we have established such controls and procedures, or have supervised the setting thereof, so as to ensure that material information concerning the Company is brought to our attention by others within the Company, in particular during the preparation of these statements.
5. I, and others in the Company making this statement, have disclosed the following to the Company's auditors and its Board of Directors, based on our most current assessment:
 - a. All significant flaws and material weaknesses in establishing or implementing internal controls over financial reporting, which may reasonably have a negative impact on the Company's ability to record, process, summarize and report financial information.
 - b. Any fraud, whether material or not, involving managers or other key employees, of the Company's internal controls over financial reporting.

The foregoing does not prejudice my legal liability, or that of any other person, as prescribed by law.

March 12, 2024

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Moshe Bornstein
President & CEO

STATEMENT OF THE MEMBER OF THE BOARD OF DIRECTORS OF THE NATIONAL COAL SUPPLY CORPORATION LTD.

In accordance with the Government Companies Regulations (Additional Report on Actions Taken and Representations Made to Ensure Accuracy of Financial Statements and Board of Directors' Reports), 2005

I, Oren Hellman, declare:

1. I have reviewed the financial statements and the Board of Directors' report of the National Coal Supply Corporation ("Company") as of December 31, 2023 (jointly - "the Reports").
2. To the best of my knowledge, having reviewed the reports, these reports are free of any misrepresentation of material facts and are not lacking any representation of material facts required for the representations made, under the circumstances in which they were made, so as not to be misleading in reference to the period covered by the reports.
3. Having reviewed the reports, and to the best of my knowledge, the financial statements and other financial information included in the Board of Directors' report, adequately reflect, in all material aspects, the Company's financial position, operating results, changes in shareholder equity and cash flows as of the dates and for the periods presented in the reports.
4. Along with others in the Company making this statement, I am responsible for setting and maintaining internal Company controls and procedures for the purpose of required disclosure in the reports. Accordingly, we have established such controls and procedures, or have supervised the setting thereof, so as to ensure that material information concerning the Company is brought to our attention by others within the Company, in particular during the preparation of these statements.
5. I, and others in the Company making this statement, have disclosed the following to the Company's auditors and its Board of Directors, based on our most current assessment:
 - a. All significant flaws and material weaknesses in establishing or implementing internal controls over financial reporting, which may reasonably have a negative impact on the Company's ability to record, process, summarize and report financial information.
 - b. Any fraud, whether material or not, involving managers or other key employees, of the Company's internal controls over financial reporting.

The foregoing does not prejudice my legal liability, or that of any other person, as prescribed by law.

March 12, 2024

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Oren Helman
Director

**STATEMENT OF THE CFO OF
THE NATIONAL COAL SUPPLY CORPORATION LTD.**

**In accordance with the Government Companies Regulations (Additional
Report on Actions Taken and Representations Made to Ensure Accuracy
of Financial Statements and Board of Directors' Reports), 2005**

I, Barak Silverstein, declare:

1. I have reviewed the financial statements and the Board of Directors' report of the National Coal Supply Corporation ("Company") as of December 31, 2023 (jointly - "the Reports").
2. To the best of my knowledge, having reviewed the reports, these reports are free of any misrepresentation of material facts and are not lacking any representation of material facts required for the representations made, under the circumstances in which they were made, so as not to be misleading in reference to the period covered by the reports.
3. Having reviewed the reports, and to the best of my knowledge, the financial statements and other financial information included in the Board of Directors' report, adequately reflect, in all material aspects, the Company's financial position, operating results, changes in shareholder equity and cash flows as of the dates and for the periods presented in the reports.
4. Along with others in the Company making this statement, I am responsible for setting and maintaining internal Company controls and procedures for the purpose of required disclosure in the reports. Accordingly, we have established such controls and procedures, or have supervised the setting thereof, so as to ensure that material information concerning the Company is brought to our attention by others within the Company, in particular during the preparation of these statements.
5. I, and others in the Company making this statement, have disclosed the following to the Company's auditors and its Board of Directors, based on our most current assessment:
 - a. All significant flaws and material weaknesses in establishing or implementing internal controls over financial reporting, which may reasonably have a negative impact on the Company's ability to record, process, summarize and report financial information.
 - b. Any fraud, whether material or not, involving managers or other key employees, of the Company's internal controls over financial reporting.

The foregoing does not prejudice my legal liability, or that of any other person, as prescribed by law.

March 12, 2024

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Barak Silverstein
CFO

The National Coal Supply Corporation Ltd.

Statements of the Financial Position as of December 31

	Note	2023	2022	2023	2022
		NIS thousands		USD thousands	
Assets					
Current assets					
Cash and cash equivalents	3	2,663	621,660	734	171,398
Israel Electric Corporation (IEC)	4	1,322	617,794	364	170,332
Other accounts receivable	5	38,026	7,938	10,484	2,189
Income tax receivable		954	4,488	263	1,237
Inventory in transit	6	428,641	474,597	118,181	130,851
Total current assets		471,606	1,726,477	130,026	476,007
Non-current assets					
Fixed Assets	7	11,169	11,540	3,079	3,182
Right of use assets	8	37,688	62,781	10,391	17,309
Investments in charters	9	56,839	56,758	15,671	15,649
Intangible assets	10	195	288	54	79
Deferred taxes	19 B	2,453	2,170	676	598
Total non-current assets		108,344	133,537	29,871	36,817
Total assets		579,950	1,860,014	159,897	512,824
Liabilities and Shareholder's equity					
Current liabilities					
Bank credit	11	76,000	87,975	20,954	24,256
Loan from IEC	17 A	-	510,000	-	140,612
Trade payables	12	316,357	1,038,566	87,223	286,343
Other accounts payable	13	17,660	33,528	4,868	9,244
Proposed dividend	16 B	16,510	11,459	4,552	3,159
Total current liabilities		426,527	1,681,528	117,597	463,614
Non-current liabilities					
Charter liabilities	14	13,972	39,877	3,852	10,994
Employee benefit liabilities	15	3,876	5,687	1,069	1,568
Total non-current liabilities		17,848	45,564	4,921	12,562
Total liabilities		444,375	1,727,092	122,518	476,176
Shareholders' equity					
Share capital	16 A	10,803	10,803	2,978	2,978
Capital reserve		2,122	2,076	585	572
Retained earnings		122,650	120,043	33,816	33,098
Total shareholders' equity		135,575	132,922	37,379	36,648
Total liabilities and shareholders' equity		579,950	1,860,014	159,897	512,824

The notes to the financial statements constitute an integral part hereof

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Moshe Bornstein
President & CEO

[---]
Oren Helman
Director

[---]
Barak Silverstein
CFO

The National Coal Supply Corporation Ltd.

Statements of Income and Comprehensive Income for the Year Ended December 31

	Note	2023	2022	2021	2023	2022	2021
		NIS thousands			USD thousands		
Revenues							
Revenues and sales	18 A	2,883,289	6,983,941	3,334,200	794,951	1,925,542	919,272
Other revenues	18 D	57	7,790	-	16	2,148	-
Total revenues		2,883,346	6,991,731	3,334,200	794,967	1,927,690	919,272
Costs and expenses							
Cost of sales	18 B	2,872,862	6,817,456	3,330,875	792,077	1,879,640	918,355
General and administrative expenses	18 C	11,112	10,950	15,982	3,064	3,019	4,406
Other Expenses	18 E	49	93	308	14	26	85
Total costs and expenses		2,884,023	6,828,499	3,347,165	795,155	1,882,685	922,846
Operating income (loss)		(677)	163,232	(12,965)	(188)	45,005	(3,574)
Finance income	18 F	21,252	7,693	36,075	5,859	2,121	9,946
Finance expenses	18 F	(10,732)	(158,969)	(13,052)	(2,958)	(43,829)	(3,599)
Net finance (expenses) income		10,520	(151,276)	23,023	2,901	(41,708)	6,347
Income before taxes on income		9,843	11,956	10,058	2,713	3,297	2,773
Taxes on income	19	2,185	1,760	2,310	602	485	637
Net income for the year, attributable to Company Shareholders		7,658	10,196	7,748	2,111	2,812	2,136
Other comprehensive income							
Re-measurement of a defined benefits plan		46	869	55	13	240	15
Comprehensive income for the year – attributable to Company shareholders		7,704	11,065	7,803	2,124	3,052	2,151
Basic earnings per share (NIS and USD)	20	8.42	11.20	8.51	2.32	3.09	2.35

The National Coal Supply Corporation Ltd.

Statements of changes in Shareholders' Equity

	Share capital	Capital reserve	Retained earning	Total Equity	Share capital	Capital reserve	Retained earning	Total Equity
	NIS thousands				USD thousands			
Balance as of January 1, 2020	10,803	1,152	113,558	125,513	2,978	317	31,309	34,604
Changes in 2020								
Net income for the year	-	-	7,748	7,748	-	-	2,136	2,136
Other comprehensive income	-	55	-	55	-	15	-	15
Proposed dividend	-	-	(5,020)	(5,020)	-	-	(1,384)	(1,384)
Balance as of December 31, 2020	<u>10,803</u>	<u>1,207</u>	<u>116,286</u>	<u>128,296</u>	<u>2,978</u>	<u>332</u>	<u>32,061</u>	<u>35,371</u>
Balance as of January 1, 2022	10,803	1,207	116,286	128,296	2,978	332	32,061	35,371
Changes in 2022								
Net income for the year	-	-	10,196	10,196	-	-	2,812	2,812
Other comprehensive income	-	869	-	869	-	240	-	240
Proposed dividend	-	-	(6,439)	(6,439)	-	-	(1,775)	(1,775)
Balance as of December 31, 2022	<u>10,803</u>	<u>2,076</u>	<u>120,043</u>	<u>132,922</u>	<u>2,978</u>	<u>572</u>	<u>33,098</u>	<u>36,648</u>
Balance as of January 1, 2023	10,803	2,076	120,043	132,922	2,978	572	33,098	36,648
Changes in 2023								
Net income for the year	-	-	7,658	7,658	-	-	2,111	2,111
Other comprehensive income	-	46	-	46	-	13	-	13
Proposed dividend	-	-	(5,051)	(5,051)	-	-	(1,393)	(1,393)
Balance as of December 31, 2023	<u>10,803</u>	<u>2,122</u>	<u>122,650</u>	<u>135,575</u>	<u>2,978</u>	<u>585</u>	<u>33,816</u>	<u>37,379</u>

The notes to the financial statements constitute an integral part hereof.

The National Coal Supply Corporation Ltd.

Statements of Cash Flows for the Year Ended December 31

	2023	2022	2021	2023	2022	2021
	NIS thousands			USD thousands		
Cash flows from operating activities:						
Income for the year	7,658	10,196	7,748	2,111	2,812	2,136
Adjustments required for presenting cash flows from operating activities (Appendix A)	(96,958)	625,008	(398,677)	(26,730)	172,319	(109,918)
Cash from operating activities	(89,300)	635,204	(390,929)	(24,619)	175,131	(107,782)
Taxes paid	(3,609)	(15,618)	(2,905)	(995)	(4,306)	(801)
Taxes received	4,661	-	1,883	1,285	-	519
Net cash from (used for) operating activities	(88,248)	619,586	(391,951)	(24,329)	170,825	(108,064)
Cash flows from investing activities:						
Proceeds from disposal of fixed assets	96	84,418	-	26	23,275	-
Acquisition of a fixed asset	(68)	(39)	(2,335)	(19)	(11)	(644)
Proceeds from chartering fees	310	264	2,084	85	73	575
Interest received	16,277	3,619	861	4,488	998	237
Receipts for investments in charters	-	-	5,737	-	-	1,582
Investment in intangible assets	-	-	(84)	-	-	(23)
Net cash from investing activities	16,615	88,262	6,263	4,580	24,335	1,727
Cash flows from financing activities:						
Dividend paid	-	(5,277)	-	-	(1,455)	-
Interest paid	(19,534)	(16,985)	(12,850)	(5,386)	(4,683)	(3,543)
Repayment of a long-term loan from a bank	-	(27,976)	(2,826)	-	(7,713)	(779)
Payments for chartering liabilities	(26,313)	(24,414)	(31,043)	(7,255)	(6,731)	(8,559)
Receipt (Repayment) of a loan from the Electric Corporation	(510,000)	510,000	-	(140,612)	140,612	-
Net increase (decrease) in short-term credit from banks	(11,975)	(524,698)	432,024	(3,302)	(144,664)	119,113
Net cash from (used for) financing activities	(567,822)	(89,350)	385,305	(156,555)	(24,634)	106,232
Increase (decrease) in cash and cash equivalents	(639,455)	618,498	(383)	(176,304)	170,526	(105)
Cash and cash equivalents at the beginning of the year	621,660	3,162	3,545	171,398	872	977
Rate of exchange differences on cash and cash equivalents	20,458	-	-	5,640	-	-
Cash and cash equivalents at the end of the year	2,663	621,660	3,162	734	171,398	872

The notes to the financial statements constitute an integral part hereof.

The National Coal Supply Corporation Ltd.

Appendix to the statements of Cash Flows for the Year Ended December 31

Appendix A – Adjustments required for presentation of cash flows from operating activity:

	2023	2022	2021	2023	2022	2021
	NIS thousands			USD thousands		
Revenues and expenses not involving cash flows:						
Depreciation and amortization	25,586	34,626	44,325	7,054	9,547	12,221
Gains from the realization of fixed assets	(57)	(7,790)	-	(16)	(2,148)	-
Taxes on income	2,492	12,866	1,094	684	3,547	302
Deferred income taxes, net	(293)	(10,847)	1,233	(78)	(2,991)	340
Adjustment of a liability for Dry Docking of a chartered ship	-	(3,652)	(772)	-	(1,007)	(213)
Net financing expenditure (income)	(10,520)	151,276	(23,023)	(2,900)	41,708	(6,348)
Change in long-term employee benefit liabilities	235	(44)	4,355	65	(12)	1,201
	<u>17,443</u>	<u>176,435</u>	<u>27,212</u>	<u>(4,809)</u>	<u>48,644</u>	<u>7,503</u>
Changes in the asset and liability items						
Decrease (increase) in IEC balance	616,472	28,095	(518,038)	169,967	7,746	(142,828)
Decrease (increase) in other accounts receivable	(29,938)	2,258	10,716	(8,254)	623	2,955
Decrease (increase) in inventory in transit	45,956	(227,926)	(81,888)	12,671	(62,841)	(22,577)
Increase (decrease) in trade payables	(729,023)	641,791	155,912	(200,997)	176,946	42,986
Increase (decrease) in other accounts payable	(17,868)	4,355	7,409	(4,926)	1,201	2,043
	<u>(114,401)</u>	<u>448,573</u>	<u>(425,889)</u>	<u>(31,539)</u>	<u>123,675</u>	<u>(117,421)</u>
	<u>(96,958)</u>	<u>625,008</u>	<u>(398,677)</u>	<u>(26,730)</u>	<u>172,319</u>	<u>(109,918)</u>
Appendix B – Additional information on non-cash operations:						
Proposed dividend (included under current liabilities)	5,051	6,439	5,020	1,393	1,775	1,384
Charter fees against expenses for rendering services through the tugboats	4,771	4,352	4,161	1,315	1,200	1,147
	<u>9,822</u>	<u>10,791</u>	<u>9,181</u>	<u>2,708</u>	<u>2,975</u>	<u>2,531</u>

The notes to the financial statements constitute an integral part hereof