נמל חיפה

גאווה ישראלית, עוצמה עולמית

Haifa Port Company Ltd. Financial Statements

As of December 31, 2024

Auditor's report to the shareholders of the Haifa Port Company Ltd.

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<u>Auditor's report to the shareholders of the</u>

<u>Haifa Port Company Ltd.</u>

Statements of financial position

	Note	As of December 31 2024	As of December 31 2023
		Thousands of NIS	
Current Assets:			
Cash and cash equivalents	3	81,957	205,387
Financial assets	4	334,984	421,892
Short-term deposits	27 (D)	1,271,028	1,091,748
Trade accounts receivable, Net	5	7,967	14,301
Accounts receivable and debit balances	6	50,080	63,256
		1,746,016	1,796,584
Non-current assets:			
Fixed assets and Right of Use asset	8	966,652	1,044,165
Intangible assets	9	14,681	15,661
Mutual Aid and Savings Fund	7	28,105	29,957
Financial assets designated for the payment of employee-benefits	16	545,959	560,409
Investment real estate	12	417,200	379,248
Long-time investments	27(a)(3)	473,258	452,883
Israel Ports Company Ltd.	10	134,052	127,819
		2,579,907	2,610,142
		4,325,923	4,406,726

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The notes to the financial statements are an integral part thereof

Statements of financial position

	Note	As of December 31 2024	2023
		Thousands of NIS	
Current Liabilities:			
Trade accounts payable	13	45,406	70,867
Employees and institutions in respect of payroll and related expenses	14	73,975	105,874
Accounts payable and credit balances	15	98,942	76,220
Current maturities of leasing liabilities	2(g)	3,327	2,949
Dividend payable	27(p)	55,000	142,000
Liability in respect of privatization grants to employees	16(g)	1,000	4,393
		277,650	402,303
Non-current Liabilities:			
Liabilities in respect of employee benefits	16(e)	460,796	475,146
Leasing liabilities	8(f)	109,990	106,907
Deferred Taxes	24(e)	24,093	861
		594,879	582,914
Capital attributable to the Company's shareholders:			
Share capital	17	1	1
Premium on shares		1,074,909	1,074,909
Retained earnings		1,009,224	977,339
Capital reserve		1,369,260	1,369,260
		3,453,394	3,421,509
		4,325,923	4,406,726

Dr. Ron Malka Chairman of the Board	David Cohen Acting General Manager	Shirley Hellman Harush Chief Financial and Economics Officer

Date of approval: February 18, 2025.

The notes to the financial statements are an integral part thereof

Statements of income and loss and comprehensive income

	Note	Year ended December 31 2024	Year ended December 31 2023
		Thousands of NIS	
Revenues from rendering of services	19	680,398	702,767
Cost of revenues	20	(523,591)	(557,963)
Gross Profit		156,807	144,804
General and administrative expenses	21	(102,933)	(111,736)
Implementation of retirement plans	16(e)	(90,879)	(44,064)
Other expenses, net	22	(2,444)	(2,237)*
Increase in the value of investment real estate	12	46,908	-
Operating income (loss)		7,459	(13,233)
Financing income	23	113,480	118,049
Financing expenses	23	(459)	(2,518)
		113,021	115,531
Income before income taxes		120,480	102,298
Income tax income (expenses)	24(f)	(23,316)	88,253
Income for the period		97,164	190,551
Actuarial income (losses), net of tax		(279)	8,751
Revaluation in respect of investment real estate revaluation		-	289,588
		(279)	298,339
Comprehensive income		96,885	488,890

The notes to the financial statements are an integral part thereof

Statements of changes in equity

	For the year ended December 31				
	Share Capital	Premium on shares	Capital reserve	Retained earnings	Total Equity
	Thousands of NIS				
Balance as of January 1, 2023	**1**	**-**	**1,069,420**	**920,037**	**1,989,458**
Share issuance	(*)	1,074,909	-	-	1,074,909
Dividend distribution	-	-	-	(142,000)	(142,000)
Capital reserve in respect of privatization grants	-	-	10,252	-	10,252
Capital reserve in respect of investment real estate revaluation	-	-	289,588	-	289,588
Net income	-	-	-	190,551	190,551
Other comprehensive income in respect of actuarial margins, net of tax	-	-	-	8,751	8,751
Balance as of January 1, 2024	**1**	**1,074,909**	**1,369,260**	**977,339**	**3,421,509**
Dividend Distribution	-	-	-	(65,000)	(65,000)
Net income	-	-	-	97,164	97,164
Other comprehensive income (loss) in respect of actuarial margins, net of tax	-	-	-	(279)	(279)
Balance as of December 31, 2024	**1**	**1,074,909**	**1,369,260**	**1,009,224**	**3,453,394**

(*) Less than NIS 1,000

The notes to the financial statements are an integral part thereof

Statements of Cash Flows

	For the year ended December 31 2024	2023
	Thousands of NIS	
Cash flows from current operations		
Net income	97,164	190,551
Adjustments needed to view cash flows from current operations:		
Adjustments to comprehensive income items:		
Depreciation and amortization	63,266	68,663
Gain on revaluation of financial assets and designated financial assets	(112,507)	(117,256)
Income taxes	23,316	(88,253)
Gain on the realization and derecognition of fixed assets and changes in the provision for impairment	(551)	(2,318)
Gain on the increase in the value of investment real estate	(46,908)	-
Leasing income	(1,755)	(1,083)
Total	**(75,139)**	**(140,247)**
Changes in asset and liability items:		
Decrease in trade accounts receivable, net	6,334	9,167
Decrease in accounts receivable and debit balances	13,176	6,686
Decrease in the balance of Israel Ports Company Ltd.	(16,687)	(22,860)
Increase (decrease) in trade accounts payable	(8,774)	3,101
Increase in employees and institutions for wages and related expenses	11,223	5,389
Increase in accounts payable and credit balances	27,358	3,999
Change in liabilities for employee benefits	(58,380)	(38,507)
Change in the liabilities in respect of the privatization grant to employees	(3,393)	(141,415)
Total	**(29,143)**	**(174,440)**
Net cash used in current operations	**(7,118)**	**(124,136)**
Cash flows from investment activities		
Receipt from the ILA in respect of an investment (see Note 12(2))	97,436	-
Acquisition of fixed assets, net	(61,123)	(95,529)
Acquisition of intangible assets	(2,337)	(1,747)
Investment in investment real estate, Net	(10,942)	(3,160)
Change in short-term deposits, net	(179,280)	(1,091,748)
Realization of financial assets, net	193,490	225,595
Change in a long-term debit balance - mutual aid fund	1,852	1,946
Net cash derived from investment activity (used in investment activity)	**39,096**	**(964,643)**

The notes to the financial statements are an integral part thereof

Statements of Cash Flows

	For the year ended December 31	
	2024	2023
	Thousands of NIS	
Cash flows from financing activities:		
Dividend paid	(152,000)	-
Share capital issuance	-	1,074,909
The State's Share in the privatization grant for employees	-	77,289
Leasing payments	(3,408)	(3,117)
Costs of raising capital	-	-
Net cash derived from (used in) financing activities	**(155,408)**	**1,149,081**
Increase (decrease) in cash and cash equivalents	**(123,430)**	**60,302**
Balance of cash and cash equivalents, beginning of the period	205,387	145,085
Balance of cash and cash equivalents, end of the period	**81,957**	**205,387**

Appendix A – Additional information regarding cash flows from operating activities

	For the year ended December 31	
	2024	2023
	Thousands of NIS	
Cash paid and received during the period for:		
Interest received	93,281	16,468
Interest paid	(459)	(2,518)
Taxes paid, net	(4,673)	(25,000)
Total cash received (paid)	**88,149**	**(11,050)**

Appendix B – Material non-cash activity

	For the year ended December 31	
	2024	2023
	Thousands of NIS	
Recognition of investment real estate against a revaluation fund in respect of the transition from fixed assets to investment real estate	-	379,248
Recognition of a dividend payable against retained earnings	55,000	142,000
Reduction in the liability in respect of the privatization grant, the state's share in respect of the eligible employees of the Maritime Department	-	(10,252)

The notes to the financial statements are an integral part thereof

Note 1 General

A. Company

The Company was founded on July 21, 2004 pursuant to the provisions of the Shipping and Ports Authority Law, 5764-2004 (hereinafter: the Law) dated July 20, 2004 and commenced its business activities on February 17, 2005. In accordance with the provisions of the Law, which went into effect on February 17, 2005 (hereinafter: the commencement date), the Ports Authority was abolished and in its place the Shipping and Ports Authority was established in the Ministry of Transport to supervise shipping and ports, their development, promotion and regulation of their activities.
Shortly thereafter, following the enactment of the Law, four government companies, wholly-owned by the Government of Israel, were established: Haifa Port Company Ltd., Ashdod Port Company Ltd., Eilat Port Company Ltd. (hereinafter: "Port Companies") and Israel Ports Development and Properties Ltd. (hereinafter: "IPC"). In 2013, Eilat Port Company Ltd. was privatized.
On January 10, 2023, the privatization process of the Company was completed. See also Note 27(a).

B. Writ of Authorization

Pursuant to the writ of authorization granted to the Company in 2005, pursuant to Article 10 of the Law (hereinafter: the "Writ of Authorization"), the objectives of the Company are as follows:
"The Port Company shall operate the Port on the Port Company's premises, maintain and provide port services and related services as stated in this writ of authorization, while maintaining safety and environmental quality, in a manner that ensures the proper and efficient operation of the Port Company's premises, at a level appropriate to the needs of the Port, its customers and users, and with the aim of meeting the requirements of the economy and operating the Port Company's territory as a competitive port, which also serves as a logistics center, which implements updated technologies and employs modern work methods and will act at all times to improve port services."

In September 2009, the Ministerial Committee on Privatization decided on the outline according to which the Haifa Port Company and the Ashdod Port Company would be privatized by way of the sale of all state holdings in the port companies. In December 2018, an agreement of principles was signed between the Company and the Histadrut, in which it was determined that a procedure for selling 100% of the Company's shares to a strategic investor as soon as possible was publicized. In January 2020, the reform agreement was signed. (See also Note1(k) below).

Note 1 General (cont.)

B. Writ of Authorization (cont.)

In January 2020, the ministerial committee on privatization decided to privatize all of the state's holdings in Haifa Port Company by way of a private sale, as a single unit, of all the Company's shares (100%) to a strategic buyer, combined with raising capital for the Company through the allocation of the Company's shares to the buyer (hereinafter: the "sale" or the "sale process"), so that an amount of the sale proceeds not exceeding NIS 1 billion would be invested in the Company's capital (hereinafter: the "Investment Amount") and the balance of the sale proceeds exceeding NIS 1 billion would be transferred to the State of Israel (see also Note 1(k) below).

In August 2019 and September 2020, agreements were signed between the Company and IPC regarding the transfer of the activities of the Marine Department and all its employees from the Company to IPC or to a subsidiary of IPC while maintaining the salary and employment conditions of the employees. All of the activities, assets and liabilities of the Marine Department, including the current area of operations of the Marine Department, office buildings, the observation tower, the anchorage as well as all of the department's operational assets, such as tugboats and others, were transferred to IPC. In light of the above, the Company's writ of authorization was updated in October 2020.

In accordance with the aforementioned updated writ of authorization, which is valid until February 16, 2054, the Company is authorized to operate the following services in Haifa Port, as defined in the writ of authorization:

1) Mandatory services – including, *inter alia*, cargo handling and storage, passenger services, services for vessels, supply of water and fuel for vessels, and other mandatory services according to any law.

2) Voluntary services – additional ancillary services to the mandatory services, including maintenance of vessels and their equipment, cargo counting services, provision and food services for vessels, container services, additional logistics services and other services for the benefit of the users of the port and any other activity related to the performance of operations and fulfillment of the services which the port company were permitted to render, as well as consulting services in the field of procurement, including tenders, shipping and ports, and technological innovation and information systems in a knowledge-intensive environment.

Note 1 General (cont.)

B. Writ of Authorization (cont.)

The writ of authorization contains a number of restrictions and stipulations as follows:

The Minister of Transport, with the consent of the Minister of Finance, in consultation with the Shipping and Ports Authority, after giving the Company an opportunity to voice its claims, may change the conditions of authorization, add to them or subtract from them. In this regard, considerations will be taken into account, *inter alia*, such as: maintaining an adequate level of safety and environmental quality, providing port services in an efficient and professional manner, financial expenses that will be incurred by the port company or the impact on its financial fortitude, reasons for the needs of the economy and the public good, etc.

The Minister of Transport, in consultation with the Shipping and Ports Authority and after giving the Company an opportunity to voice its claims, may, at any time, cancel or limit the authorization of the Company as a Company, *inter alia* on the following grounds: If any of the conditions of eligibility cease to exist under the Shipping Authority Law, an order has been issued for the liquidation of the Company or a receiver has been appointed (if the order is not cancelled within a certain period), if a substantive provision or condition prescribed by law or qualification is violated (which cannot be corrected or has not corrected within the prescribed period), a continuing violation of a provision or condition prescribed in the Shipping Act or the letter of authorization.

For this matter, a material provision or condition includes: non-payment of a substantial part of the fixed or variable user fees or the amounts of fees collected, the Company stopped paying, unlawfully restricted or delayed port service that it was obligated to render, refused to provide information required of it by law, etc.

In addition, the Minister of Transport may, in consultation with the Shipping and Ports Authority, and after giving the Company an opportunity to voice its arguments, cancel or limit the authorization, if he considers that this is necessary in order to meet the needs of the economy or for reasons of the public good.

If the authorization of the Company is revoked as stated in this section above, the rights of the port company in the operating areas of the port shall expire and they shall belong to the State or to another authorized corporation, as determined by the ministers of finance and transportation. If the Company's authorization is limited, its rights in the port's operating areas will be expropriated in whole or in part, as determined by the Minister of Transport.

The tariffs for port services were set in the Supervision Order on Prices of Goods and Services (Prices of Port Services), 5770-2010, pursuant to the Supervision of Prices of Goods and Services Law, 5756-1996 (hereinafter: the Supervision Law).

Note 1 General (cont.)

B. Writ of Authorization (cont.)

In March 2021, the Minister of Transport and Road Safety signed an updated writ of authorization that will go into effect only after and subject to the completion of the privatization process and the sale of all of the State's shares to a private investor. The main changes in the future letter of authorization deal with the issue of the Company's commercial activity in the area of the municipal sea front, various legal and financial aspects that will apply to the Company after its privatization (provision of a bank guarantee, provisions regarding restrictions on the transfer of control, etc.), aspects relating to a real estate agreement with IPC, and cancellation of relevant provisions in Appendix E to the original writ of authorization. Upon completion of the privatization, the updated letter of authorization was signed by the Minister of Finance and the Minister of Transport for Road Safety. (See also Note 27(b) below).

C. Opening balances

Pursuant to Section 51 of the Law, all assets and liabilities that the Port Authority had prior to the commencement date were converted on the commencement date into State property, except for liabilities for pension payments to employees who retired from the Port Authority before the commencement date, regarding which it was determined that they would become the property of the Port Authority as of that day.

Pursuant to sections 53 and 54 of the Law, the State transferred assets and liabilities to the port companies pursuant to decrees issued by the Ministers on February 20, 2005.

The assets and liabilities transferred to the Company on February 17, 2005 were estimated and recorded in its books according to the following principles:

- Current assets and liabilities were recorded according to the values transferred to the Company according to the books of the Port Authority. The net difference between assets and liabilities was carried to a capital reserve.
- Liabilities in respect of employee benefits were recorded according to an actuarial assessment made by an external actuary.
- Operating equipment was valued at its fair value on the day of transfer based on an external appraiser's assessment commissioned by the Company. The excess value as stated, above the cost on the Port Authority's books was credited to a capital fund.
- Property rights – see Section H below.

Note 1 General (cont.)

C. Opening balances (cont.)

The major principles used in estimating the value of the assets transferred on the date of commencement are as follows:

- Operational equipment was estimated according to its value as new and from which wear and tear was deducted due to use, according to the date of purchase and according to the physical condition of the equipment, taking into account improvements made to it up to the time of its valuation. Estimating its value as new was generally made based on available market prices. This valuation was prepared by a certified appraiser who serves as a representative of an international appraisal company in Israel. This appraiser also carried out an assessment in August 2005 of the value of the property at the port for the purpose of insuring the property. The fair value of the spare parts inventory was assessed by the Company. See also Note 2(e) and Note 2(f)(2).
- In accordance with Article 49 of the Law, the liabilities in respect of the rights of employees transferring to the Company were imposed on the Company and, on the other hand, to cover these liabilities, funds were transferred to the Company pursuant to the Order for the Transfer of Rights in Funds. The Company commissioned an actuarial opinion to assess the value of its liabilities under the agreements and the law, which apply between it and the employees. According to an actuarial opinion prepared on the commencement date, it was found that there is a surplus of assets over the liabilities transferred under the order, with the difference being carried to the capital fund net of the relevant tax.
- For balances arising from differences for tax purposes, see section G below.

D. Order for the Transfer of Rights in Real Estate and the Land Agreement

According to the Order for the Transfer of Rights in Real Estate, the real estate assets, including their appurtenances, were transferred from the State to IPC.

In accordance with Articles 9 and 10 of the Law, which stipulates that properties located within the port area will be made available for the use of the Company pursuant to the writ of authorization and for the use of corporations authorized by the Minister to provide port services in part of the port (hereinafter: authorized corporations), the following areas were divided up:

- Areas designated for the Company's use as an operational area of Haifa Port (identified in yellow on the map attached to the writ of authorization and referred to as "yellow areas").
- The area of the northern chemical terminal (marked as a yellow striped area on the map attached to the writ of authorization and referred to as "joint operation – operation by "another party", managed by the port company"). As part of the updated authorization, this area will be turned into a "white area”.

Note 1 General (cont.)

D. Order for the Transfer of Rights in Real Estate and the Land Agreement (cont.)

- An area with an operational and/or commercial connection to the company of the rear container terminal (identified as an orange area and referred to as an "area with an operational and/or commercial connection").
- The rest of the areas within Haifa Port (identified in white on the map attached to the writ of authorization and referred to as "white areas").

It should be noted that the Company does not own real estate assets that require registration in the land registry. The Company's usage rights to the land and the appurtenances are anchored in Article 57(11) of the Law and in the land agreement signed between the Company and IPC.

In September 2020, an agreement to furnish the property was signed between the Company and IPC, which is valid from January 1, 2021. Upon the entry into force of the land agreement, various arrangements were also canceled. The following are the main points of the land agreement:

1) This Agreement supersedes and terminates all prior engagements, representations, arrangements, and agreements, whether made in writing or orally, with respect to matters contained therein.Upon the entry into force of the agreement, the provisions of the Interim Agreement of 2005, insofar as they were in force at the time the land agreement was signed, are not and will no longer be valid.
2) The practical significance of this is that the principle of “as-is” (with its exceptions) is valid only from the date of the land agreement.

Usage right

In accordance with the provisions of Article 9 of the Shipping and Ports Authority Law, IPC has made the operational area available for the Company's use. According to the agreement, the right of use was granted to the Company for the duration of the agreement, for the purpose of fulfilling the commitments of the port company in accordance with the Company's writ of authorization. The land agreement regulates the scope of the usage right granted to the Company and states that they are not considered rental rights or any other proprietary right. These rights are subject to the rights granted to IPC under the Shipping and Ports Authority Law, the writ of authorization of the Development and Property Company and the ILA agreement mentioned above, to the extent applicable. The usage right does not include the right to use the depth of the land and the height of the sky, rather up to the limits required for the operation of the port and for the permitted activities only, both in the air medium and in the underground medium.

Note 1 General (cont.)

D. Order for the Transfer of Rights in Real Estate and the Land Agreement (cont.)

1) The usage right is limited to a certain layer only, and IPC is entitled to make any use of the other layers insofar as it does not materially harm the Company.
2) With regard to the sea front area – it was agreed that the regulation of the sea front area, as this term is defined in TAMA3/13/A, shall be done in a separate agreement, and not within the framework of this agreement. However, it was agreed that to avoid all doubt, it is clarified that in relation to the very use, period of use and fees for use of the sea front area, the provisions of the Agreement shall apply.

The "As-Is" Principle

1) It was agreed between the parties that the operating area was made available to the Company in accordance with the Interim Agreement, "As-Is", and therefore, the Company is well acquainted with the operational area and its physical, technical, legal, licensing and statutory condition and hereby irrevocably waives any claim and/or lawsuit and/or demand of any kind from IPC in connection with the operational area and/or its condition.
2) IPC has no obligation towards the Company regarding the condition of the operational area and the obligation to repair and/or participate in the costs of repair and/or to rehabilitate and/or upgrade the operational area or any part thereof, except for its responsibility under the agreement and as detailed in the infrastructure appendix.
3) Notwithstanding, the parties agreed to exclude the principle of "AS-IS" and the responsibility of IPC with regard to statutory matters, the division of responsibility in terms of pollution – environmental protection, and the aspects of taxes and mandatory payments.
4) In addition, the parties agreed that the Company will not act to impair the execution of operations by IPC in areas adjacent to the operational area, including competing activities, and the Company will not be permitted to object or argue against this.

Infrastructure Appendix

IPC undertook toward the Company in the infrastructure appendix, as follows:

1) To construct a connecting bridge between Kishon East Port and Kishon West Port, in a manner that will suit the Company's operational requirements, with IPC bearing all the costs involved in the construction of the bridge, including planning, management and supervision costs, execution, and any other cost involved in its construction, directly or indirectly. The planning is being handled and promoted by IPC and it will be realized upon the receipt of the building permit.

Note 1 General (cont.)

D. Order for the Transfer of Rights in Real Estate and the Land Agreement (cont.)

2) IPC will act to continue statutory planning of the eastern pier and the Carmel B pier (in accordance with the definition set forth in the Agreement of Principles and in the appendix to the government decision as "Carmel B Area") – as a deep-water port with the aim of bringing about approval of the statutory plans by 2030. (Promoting the planning is in the planning and approval aspect of the plans and does not include levies and taxes derived therefrom).
3) IPC undertook to provide an amount of at least NIS 300 million and up to NIS 600 million for upgrading the eastern pier or constructing Carmel B in accordance with the terms agreed between the parties and in accordance with the Company's choice of the identity of the pier that will be upgraded to a deep-water pier. (The amount of IPC's participation and the identity of the platform to be upgraded varies in connection with the completion of the privatization process and the sale of the Company to a strategic investor, all as detailed in the land agreement).
4) In the opinion of the Company, and in light of the State's undertaking (in the Agreement of Principles) to the Workers' Union and the Company that such financing will be made "provided that the Company's financial fortitude is not impaired", this clause is only at the level of the relationship between the Company and IPC.

Ministerial approval

In accordance with the provisions of Article 9(b) of the Shipping and Ports Authority Law, the Ministers of Transport and Finance approved the land agreement as aforesaid, and this means the cancellation of the user fee order that applies to the parties. Instead of the user fee order, as of the beginning of 2021 a new user fee model as defined in the land agreement will apply.

E. Usage Fee

On February 27, 2005, the Ministers publicized the Shipping and Ports Authority Order (Determination of Appropriate Variable Usage Fees, to be paid by a Port Company to the Development and Property Company), 5765-2005 (hereinafter: the Order for the Determination of Variable Usage Fees).

On October 1, 2010, a reform in port service tariffs went into effect, following which the aforementioned user fee order was also changed by the Shipping and Ports Authority Order (Determination of Appropriate Variable Fees to be paid by a Port Company to the Development and Property Company (Amendment)), 5770-2010.

Note 1 General (cont.)

E. Usage Fee (cont.)

In November 2020, the ministers approved the land agreement signed in September 2020 between the Company and IPC, which defines, *inter alia*, the responsibility, rights and obligations of the company and IPC in connection with obtaining the right to use the land to operate port services, including the usage fee that the Company will pay to IPC for obtaining land usage rights during the qualification period, in addition to the fixed usage fee of 4% of its revenues that the Company will pay the State in accordance with the provisions of the law.

According to the aforementioned land agreement, in respect of the cancellation of the usage fee order, including in respect of the entitlement of the port company to receive 75% of the income of the development and properties company from the granting of rights in the relevant land, net of the relevant expenses, as specified in Article 2C of the usage fee order, including item 6 in the addition to the usage fee order, IPC shall pay the Company and for five consecutive years, starting one year after the end of the year in which the Company ceases to be a wholly government-owned company within the meaning of this term in the Government Companies Law, 5735-1975, an annual amount of 30% of IPC's income from the granting of rights in the relevant land, provided that the total cumulative payment that IPC makes for all of these five years shall not exceed NIS 100 million for the entire period, linked to the known consumer price index on the date of the signing the agreement. If on January 1, 2028, the Company remains a wholly government-owned company as defined in the Government Companies Law, 5735-1975, IPC will pay the Company a total of NIS 100 million in one payment at the end of the calendar year, linked to the aforementioned base index.

According to the agreement, during the term of the agreement, the Port Company shall pay the Port Company a usage fee as follows:

Fixed component usage fees–

An annual amount that changes every few years until 2054, the end of the Company's authorization period.

Variable component usage fees–

For each calendar year, in addition to the aforementioned fixed component, the Company shall pay a variable amount based on the product of a nominal percentage (different for each income bracket as defined in the agreement) out of the total annual income of the Company.

Note 1 General (cont.)

E. Usage Fee (cont.)

- For the above matter, the meaning of the total aggregate income of any kind or income of related companies to the Company and deriving from activity in the operating area, directly or indirectly, and after deducting exceptional discounts, if any, that the Company gives to related companies and excluding financing income of the Company, all as defined in the Land Agreement:
- The variable usage fees paid by the Company to IPC will be paid by the Company in four quarterly installments and cumulative annual accounting, all in accordance with the provisions of the agreement.
- The annual amount paid by IPC to the Company for the cancellation of the Usage Fee Order shall be paid by IPC to the Company in four equal quarterly installments.
- The fixed usage fees paid by the Company to the State through IPC shall be paid by the Company in four equal quarterly installments.

F. Infrastructure Fee

In the land agreement, IPC appointed the Company to collect payments due to IPC in accordance with the provisions of the Supervision Order, including pursuant to Article 41(b) of the Supervision Order (hereinafter: "Infrastructure Fees"). During the entire period of the aforesaid appointment, the Company will collect infrastructure fees on behalf of IPC and transfer them to IPC on a daily basis net of the collection commission at a rate set out in the Supervision Order. In accordance with the provisions of the Agreement, IPC may, at its sole discretion and at any time during the term of the Agreement, cancel and/or renew the said appointment by providing written notice to the Company.

G. Taxes

As part of the restructuring process of the Port Authority as detailed above and carried out by way of legislation, discussions were held between the Tax Authority and the Government Companies Authority and representatives of the Port Companies and IPC, with the aim of drafting regulations regulating various tax issues arising from the process of the restructuring that was carried out. In July 2009, the Regulations of the Shipping and Ports Authority (Provisions for Tax Law) 5769-2009 were amended, regulating the treatment as explained below. See more information in Note 23 below.

Note 1 General (cont.)

H. Property Rights

1) Right to use land

In 2005, as part of the division of assets and fixed assets carried out by the State, the amounts for the cost of the land, the right of use of which was attributed to the Company, were given to the Company, according to which the usage fees were calculated. These amounts were not specified in relation to specific lands, rather in general, in a global distribution. The amounts, which totaled NIS 41.5 million, were used until the entry into force of the usage fee reform in 2010 for the purpose of calculating usage fees for the land component at a rate of 7.5% per annum.

2) Rights in assets not transferred for the use of the Company

As from 01.01.2021, upon the entry into force of the land agreement, IPC holds overall responsibility for the northern chemical terminal. As part of the new usage fee model, the Company ceased receiving profits from this terminal. In addition, at the request of IPC, the Company continued to provide management services at the Northern Chemical Terminal (including the allocation of Company employees) for an interim period from the date of the signing the agreement until an agreement is formulated to transfer the management of the terminal from the Company to the IPC ("Interim Period"). During the interim period, IPC bears the Company's costs in managing the terminal.
In addition, at the request of IPC, the Company continued providing billing and collection services to IPC's customers on behalf of IPC at the fuel terminal and at the grain terminal (Dagon) at Haifa Port, including the following fees: infrastructure fees, fees for the ships to anchor next to the pier, fees to remove bilge water from ships, fees for garbage collection from ships, fees for supplying water to ships, grain handling fees, grain storage fees until August 31, 2023 Commencing on that date, the billing services are performed directly by IPC.

I. Dividend payments

1) On January 10, 2023, the privatization process of the Company and its sale to the Adani Gadot Group was completed for a total of NIS 4.1 billion, of which NIS 1 billion was invested in the Company (against the issuance of shares) for purposes of infrastructure development and other needs, and the balance was transferred to the State of Israel.

Upon completion of the privatization, the Company is incorporated as a private company held 100% by Mediterranean International Ports A.D.G.D. Ltd. (hereinafter: the "Parent Company").

Upon completion of privatization, an amendment was made to the Company's articles of association regarding the distribution of dividends, as follows:

Note 1 General (cont.)

I. Dividend payments (cont.)

In the period from the date of completion of the privatization until the date of completion of the investment obligation, the Company shall be entitled to make a distribution, within the meaning of the Companies Law, whether directly or indirectly, only from profits accrued from the date of the last reviewed or audited financial statement of the company (quarterly or annual), approved before the date of completion of the privatization. "Distribution" in this regard is as defined in the Companies Law, 5759-1999, as well as the granting of a loan to Company shareholders or interested parties in the Company. (See also Note 27(B) below.)

J. Safety Net

In February 2005, IPC undertook by agreement to provide the Company with a safety net loan in the event of a deterioration in certain financial conditions of the Company in accordance with the Company's financial statements and deriving from the volume of the Company's cash flow and its investment plan.

As part of the agreement, IPC undertook to provide the Company with a financial safety net in the form of loans under certain conditions specified in the agreement, which are intended primarily to pay salaries to the Company's employees.

As of the date of the financial statements, the Company has not applied to IPC for any loan under the safety net agreement.

K. The Company's issuance on the stock exchange – the reform agreement – the privatization of the Company / sale to a strategic investor

In September 2009, the Ministerial Committee on Privatization decided on the outline whereby the Haifa Port Company and the Ashdod Port Company would be privatized by way of the sale of all State holdings in the port companies. In April 2010, the Company submitted a draft prospectus to the Israel Securities Authority in connection with the implementation of the first stage of the above decision. The privatization process was effectively frozen in April 2010.

In December 2018, the agreement of principles was signed among the Company, the State and the Histadrut, whereby it was determined that a procedure for selling 100% of the Company's shares to a strategic investor as soon as possible was publicized, subject to the completion of all of the following conditions:

- Signing a detailed real estate agreement between IPC and the Company
- Signing agreements to transfer the Marine Department from the Company to a subsidiary of IPC
- Signing of all collective agreements with employees' representatives in connection with this document of principles.

Note 1 General (cont.)

K. The Company's issuance on the stock exchange – the reform agreement – the privatization of the Company / sale to a strategic investor (cont.)

The Agreement of Principles further stipulates that the protection set forth in the 2005 reform agreements and in the privatization outline for extending the validity of the collective agreements, customs and procedures (including the rights dependent on seniority according to the agreements, customs and procedures) in the event that the State's holdings fall below 51%, will also apply in the case of a sale to a strategic investor, for a period of five years from the date of sale to the strategic investor as specified in the respective 2005 agreement, and without derogating from obligations for longer periods, if any, such as regarding protection of layoffs and a safety net for premium payments. In addition, during the first five years from the date of completion of the sale to the strategic investor, the employee organization will have the right to appoint two observers to the board of directors who will meet the conditions of professional competence, as stated in the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications), 5766-2005 ("Professional Competence"). At least one observer will be external to the company. At the end of five years from such date, the workers' organization shall have the right to appoint only one observer who meets the conditions of professional qualifications and who will be external.

In January 2020, the Ministerial Committee on Privatization decided to privatize all of the State's holdings in the Company by way of a private sale, as a single unit, of all the Company's shares (100%) to a strategic buyer, combined with raising capital for the Company through the allotment of the Company's shares to the buyer (hereinafter: the "Sale" or the "Sale Procedure"), such that an amount of the sale proceeds not exceeding NIS 1 billion will be invested in the Company's capital (the "Investment Amount") and the remaining sale proceeds exceeding NIS 1 billion will be transferred to the State of Israel. The buyer will have to meet experience requirements and criteria as formulated by the Government Companies Authority, the Budget Division of the Ministry of Finance, the Ministry of Transport and Road Safety, including the Shipping and Ports Authority in consultation with IPC and the Company. The strategic buyer will have to meet conditions and covenants that will ensure economic strength and appropriate financial fortitude for the purchase and ownership of the Company's shares, as determined by the State Share Sale Committee and at its discretion.

Note 1 General (cont.)

K. The Company's issuance on the stock exchange – the reform agreement – the privatization of the Company / sale to a strategic investor (cont.)

In July 2022, the “ADANI Gadot” Group was declared the "Preferred Bidder" in a tender to purchase 100% of the Company's shares for an adjusted amount of NIS 4.1 billion. In September 2022, the Ministry of Finance granted the Group an extension to complete the conditions required for the Closing process (the “consummation date”). In addition, in September 2022, the approval of the Antitrust Authority was received for the merger of a member company of the ADANI Group with Gadot Chemical Terminals Ltd.

On January 10, 2023, the privatization procedure was completed. See also Note 27(A).

L. Construction and operation of new ports

In 2013, IPC issued tenders for the construction and operation of two additional ports (Ashdod's Southern Port and Haifa's Bay Port). As part of the process, two operating companies were selected to operate the Haifa Bay Port and the Southern Port in Ashdod. During 2021, the two port companies commenced operations. The Company began preparation in this regard, and in January 2020, a special collective agreement was signed (regarding the reform in the Haifa Port), which includes the agreement for the early retirement of some of the Company’s veteran employees and efficiency agreements in the various departments in order to reduce the scope of the Company's current and future operating expenses. At the same time, the Company is examining entering new areas of activity in order to increase the volume of the Company's future revenues.

M. Municipal sea front

In 2018, an agreement of principles was signed between the company and the Haifa Municipality for cooperation in the development of the municipal sea front, which includes activity for the construction and operation of facilities and buildings for the purpose of providing services for the welfare of users and visitors to the complex, and for commercial, tourism, employment, residential, cultural and leisure purposes. During 2021, as part of the Company's preparations for privatization, negotiations were conducted, led by the Government Companies Authority, among the Company and IPC, the Israel Land Authority and the Haifa Municipality regarding the signing of a detailed agreement that will regulate the development aspects of the municipal sea front project, including the residential lot (Area 607 according to the plan), in accordance with the Agreement of Principles (the "Square Agreement"). As of the date of approval of the financial statement, the square agreement among the Company, IPC, the Israel Land Authority and the Haifa Municipality was approved and signed by the parties, except for the Haifa Municipality. In addition, the agreement between the Company and the Municipality to establish the joint administration for managing the sea front has not yet been approved. See also Note 25(b)(4)(a).

Note 1 General (cont.)

N. Definitions:

Company	-	Haifa Port Company Ltd.
Parent Company	-	Mediterranean International Ports A.D.G.D – 2010
Related Parties	-	As defined in International Accounting Standard 24 regarding disclosures in connection with a related party. The “related parties” item in the financial statements included government ministries and government companies.
Presentation Currency	-	The currency in which the financial statements are presented.
Index	-	The Consumer Price Index, as publicized by the Central Bureau of Statistics.
Dollar	-	US dollars.
IFRS Accounting Standards (hereinafter - "IFRS")	-	Standards and interpretations adopted by the International Accounting Standards Committee (IASB) including International Financial Reporting Standards (IAS), including interpretations of these standards set out by the Committee for the Interpretation of International Financial Reporting (IFRIC) or interpretations set out by the Standing Committee on Interpretations (SICs), respectively.

O. Implications of the "Iron Sword" War on the Financial Statements

As from October 7, 2023, further to the attacks on Israel and the security situation, the State of Israel is in a state of war – the "Iron Sword" war.
During 2024, there was a decrease in the volume of general cargo by 19% and containers by 14%, compared to the corresponding period prior to the Iron Sword War. On the other hand, the volume of vehicle imports increased by 71%, compared to the monthly average prior to the outbreak of the war.

At this stage, the Company cannot reasonably assess the implications of the continuation of the Iron Sword War on the scope of its activity in Israel and the results of this activity. These implications depend, *inter alia*, on the duration and scope of the war, on its economic effects on the entire Israeli economy and on the industry in which the Company operates, and on the extent of government support that the Company will receive.

The Company estimates that even in the event of a continuation of the war and a slowdown in economic activity in Israel, the Company will be able to meet its existing liabilities as of December 31, 2024, and as a result, it will be possible to continue its operations in accordance with the strategy outlined by the Company.

Note 2 Significant accounting policies

A. Basis for presenting financial statements

1) Declaration of compliance with international financial reporting standards

The financial statements were prepared in accordance with international financial reporting standards (**hereinafter: "IFRS").**

2) Transactions between a corporation and a controlling shareholder

State participation in the privatization grant given to company employees was carried to the equity component

3) Functional Currency and Presentation Currency

The Company's financial statements are prepared in the shekel currency, which represents the main economic environment in which it operates (hereinafter: the "Functional Currency").

The accounting policies set forth herein have been consistently applied to all periods presented in these financial statements by the Company.

4) Measurement base

The statements were prepared on the basis of the historical cost excluding the following assets and liabilities:

- Assets and liabilities in respect of employee benefits;
- Assets and liabilities in respect of deferred taxes;
- Assets and liabilities in respect of the right of use;
- Investment real estate;
- Provisions;
- Financial and other instruments that are measured at fair value through profit or loss (excluding derivatives used in cash flow hedging, in respect of the effective portion of the hedge which are recognized in other comprehensive income);

5) The period of the Company's operating cycle

The Company's operating cycle period is 12 months.

Note 2 Significant accounting policies (cont.)

A. Basis for presenting financial statements (cont.)

6) Major estimates and assumptions used in the preparation of financial statements

The preparation of the Company's financial statements in accordance with International Financial Reporting Standards (IFRS) requires Management to use estimates, assessments and assumptions that influence the implementation of the accounting policy and the reported amounts of assets, liabilities, income and expenses. The above estimates and assumptions are reviewed regularly. Changes in accounting estimates, if made, are carried to the period in which the change in the estimate was made.
These estimates sometimes require the use of judgment in an environment of uncertainty and they have a material impact on the presentation of the data in the financial statements.

The following is a description of the key assumptions for using material accounting estimates in the preparation of the Company's financial statements and which, when formulated, required Company Management to make assumptions regarding circumstances and events under conditions of significant uncertainty. In determining the estimates, Company Management exercises discretion and bases such assumptions on facts, past experience, dependence on external factors and reasonable assumptions in accordance with the circumstances appropriate for each estimate.
Actual results may differ from Management estimates set out in connection with the preparation of financial statements.

The following table presents information regarding the assumptions made by the Company pertaining to the future and other major factors regarding the uncertainty in connection with estimates having significant risk the result of which will require material adjustments to values of assets and liabilities in the accounting records during the coming fiscal year:

Note 2 Significant accounting policies (cont.)

A. Basis for presenting financial statements (cont.)

6. Major estimates and assumptions used in the preparation of financial statements (cont.)

Estimate	Major assumptions	Possible consequences	Reference
Post-termination employee benefits and termination benefits	Actuarial assumptions such as capitalization rate and mortality rate	Increase or decrease in liability in respect of a defined post-employ-ment benefit plan and in respect of termination	For information on the impact of the change in actuarial assumptions, see Note 16, *Employee Benefits*
Post-termination employee benefits and termination benefits	Classification of a liability as a benefit plan after termination of employment or as a severance liability and with respect to an early retirement plan. The classification is determined according to the nature of the plan and the estimated time until termination of employment of employees who retire early.	Classification of actuarial profit or loss for remeasurements of actuarial liability to profit and loss (classification as severance liability) or other comprehensive income (classification as a post employment benefit plan)	For information on the impact of the change in actuarial assumptions, see Note 16, *Employee Benefits*
Assessing the chances of contingent liabilities and estimating provisions	Is it more likely than not that financial resources will be spent on lawsuits filed against the Company and its investee companies?	Cancellation or creation of a provision for a claim	For information on the Company's exposure to claims, see Note 25, Commitments and *Contingent Liabilities*.
Deferred tax assets	Is it expected that there will be future taxable income against which it will be possible to utilize deductible temporary differences, which have not yet been utilized?	Creation or cancellation of a deferred tax asset	For information on deferred taxes, see Note 24, *Income Taxes*.
Useful life of fixed assets	The period of time during which the asset is expected to be available for use by the Company	Increase or decrease in depreciation expenses	For information on the life span of fixed assets, see Note 2, *Accounting Policy*. For information on depreciation expenses recognized in respect of fixed assets, see Note 8, *Fixed assets*.
Recoverable amount of a cash-generating unit	Estimation of cash flows, discount rate and growth rate	During the reporting period, no impairment was recognized, but a change in estimates (for example, an increase in the discount rate) may lead to a decrease in value in subsequent periods	See Note 2, *accounting policy* regarding impairment of non-financial assets and Note 2 regarding the assessment of a recoverable amount of the Company's assets
Investment real estate	Valuation performed by a third-party appraiser to determine fair value	Increase or decrease in the value of the investment real estate	See Note 2M and Note 12

Note 2 Significant accounting policies (cont.)

A. Basis for presenting financial statements (cont.)

7. Determination of fair value

For the preparation of financial statements, the Company is required to determine the fair value of certain assets and liabilities. For more information about the assumptions used in determining fair value, see Note 2d, *Financial Instruments*.

In determining the fair value of an asset or liability, the Company uses observable data from the market whenever possible. Fair value measurements are divided into three levels of the fair value matrix based on the data used in the assessment, as follows:

- Level1: Quoted (unadjusted) prices in an active market for identical instruments.
- Level2: Observed data from the market, directly or indirectly, not included in Level 1 above.
- Level 3: Data not based on observed market data.

B. Foreign currency transactions, assets and liabilities

Transactions denominated in foreign currency are recorded upon initial recognition according to the exchange rate at the time of the transaction. After initial recognition, financial assets and liabilities denominated in foreign currency are translated on each reporting date into the functional currency at the exchange rate as of that date.

Exchange rate differences are carried to profit or loss. Non-monetary assets and liabilities denominated in foreign currency presented at cost are translated at the exchange rate at the time of the transaction. Non-monetary assets and liabilities denominated in foreign currency and presented at fair value, are translated into the functional currency according to the exchange rate at the date on which the fair value is determined.

C. Cash and cash equivalents

Cash includes cash that can be used immediately and on-demand deposits. Cash equivalents are highly liquid short-term investments (three months or less from the date of investment) that can be easily converted into known amounts of cash and which are exposed to an insignificant risk of changes in value. Cash equivalents are held for the purpose of fulfilling short-term cash payment contracts and not for investment or other purposes.

Note 2 Significant accounting policies (cont.)

D. Financial Instruments

Financial Assets

1. Initial recognition and measurement of financial assets

   Financial assets are measured at the time of initial recognition and upon derecognition at their fair value plus transaction costs that can be directly attributable to the purchase of the financial asset, except in the case of a financial asset which is measured at fair value through profit or loss.

2. Derecognition of financial assets

   Financial assets are derecognized when the Company's contractual rights to the cash flows arising from the financial asset expire upon derecognition. If the Company materially retains all the risks and benefits arising from the ownership of the financial asset, the Company continues to recognize the financial asset.

3. Financial assets held for trading

   Financial assets held for trading, such as shares and bonds traded on an active market, are measured at fair value through profit or loss.
   The net profit or loss recognized in profit or loss embodies any dividends or interest accrued in respect of the financial asset. Regarding how fair value is determined, see Note 4.

4. Classification of financial assets into groups and the accounting treatment of each group

   At the time of initial recognition, financial assets are classified into one of the following categories of measurement: amortized cost or fair value through profit and loss.

   Financial assets are not reclassified in subsequent periods unless, and only when, the Company changes its business model to manage financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the reporting period following a change in business model.

   A financial asset is measured at amortized cost if it satisfies the following two cumulative conditions and is not intended to be measured at fair value through profit and loss:

   a. Held under a business model aimed at holding assets to collect contractual cash flows; and

Note 2 Significant accounting policies (cont.)

D. Financial Instruments (cont.)

Financial Assets (cont.)

b. The contractual terms of the financial asset provide entitlement at specified times to cash flows that are only principal and interest payments in respect of the outstanding principal amount.

5. Subsequent measurement and gains and losses

Financial Assets at fair value through profit and loss

In subsequent periods, these assets are measured at fair value. Net profits and losses, including interest income or dividends, are recognized in profit and loss (except for certain derivative instruments, which are designated as hedging instruments).

Financial assets at amortized cost

The Company has deposits and trade accounts receivable balances and other receivables held under a business model aimed at collecting contractual cash flows. The contractual cash flows in respect of these financial assets include only principal and interest payments which reflect a return on the time value of the money and credit risk. Accordingly, these financial assets are measured at amortized cost.

These assets are measured in subsequent periods at amortized cost, using the effective interest method and net of impairment losses. Interest income, gains or losses from exchange rate differentials and impairment are recognized in profit and loss. Any profit or loss resulting from derecognition is also recognized in profit and loss.

6. Impairment of financial assets

The Company examines on each reporting date the provision for loss in respect of financial assets such as customers and receivables that are not measured at fair value through profit or loss.
The Company distinguishes between two modes of recognition of provision for loss:

a. Debt instruments for which there has not been a significant deterioration in credit quality since the date of initial recognition, or cases in which the credit risk is low – the provision for loss recognized in respect of this debt instrument will take into account projected credit losses in a period of 12 months after the reporting date, or;

Note 2 Significant accounting policies (cont.)

D. Financial Instruments (cont.)

6. Impairment of financial assets (cont.)

b. Debt instruments for which there has been a significant deterioration in their credit quality since the date of their initial recognition and for which the residual risk is not low, the provision for loss recognized will take into account forecasted credit losses – throughout the remainder of the life of the instrument.

The Company has financial assets with short credit periods, such as trade accounts receivable and, as a result, the provisions under IFRS 9 are immaterial.

Financial liabilities

Non-derivative financial liabilities include suppliers and other payables.

1. Initial recognition and subsequent measurement of financial liabilities

   The Company initially recognizes debt instruments issued at the time of their creation. The remaining financial liabilities are initially recognized at the trade date on which the Company becomes a party to the instrument's contractual terms. Financial liabilities are initially recognized at fair value net of all attributable transaction costs. After initial recognition, financial liabilities are measured at amortized cost in accordance with the effective interest method.

2. Derecognition of financial liabilities

   Financial liabilities are derecognized when the Company's obligation, as specified in the agreement, expires or when it is settled or canceled.

3. Offsetting financial instruments

   A financial asset and financial liability are offset and the amounts are presented in a net amount in the statement of financial position when the Company currently has an enforceable legal right to offset the amounts recognized as well as an intention to settle the asset and the liability on a net basis or to realize the asset and settle the liability simultaneously.

Note 2 Significant accounting policies (cont.)

E. Inventory

Inventory is measured at the lower of the net cost or realization value. The cost of inventory includes the expenses of purchasing the inventory and of bringing it to its current location and condition. Net realization value is an estimate of the sale price in the normal course of business, net of an estimate of costs to completion and costs necessary to make the sale. The Company's inventory includes fuels and lubricants.

F. Fixed assets

1. Initial measurement

Fixed asset items are presented at cost plus direct purchase costs, less accrued depreciation, less accrued impairment losses, and they do not include ongoing maintenance expenses.
Fixed asset items include spare parts, backup equipment, and auxiliary equipment used by the fixed assets.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset or another amount that replaces the cost, net of the residual value of the asset.

An asset begins to be depreciated when it is available for use, i.e., when it has reached the necessary location and condition in order for it to be able to operate in the way that management intended.

Depreciation is carried to the profit and loss statement according to the straight-line method over the estimated useful life of each part of the fixed asset item, since this method reflects the forecasted consumption pattern of the future economic benefits inherent in the asset in the best possible way. Right of use assets are amortized over the shorter of the lease period and the useful life of the asset.

The depreciation rates used in calculating depreciation are as follows:

Group	Primary lifespan	Main depreciation rate
Infrastructure and buildings	20 years	5%
Cranes	33 years	3%
Other operational equipment	8 years	12.5%
Right of use assets	3 years	33%

Note 2 Significant accounting policies (cont.)

F. Fixed assets (cont.)

The useful life, depreciation method, and residual value of each asset are reviewed at least at the end of each year and the changes are treated prospectively as an accounting estimate change. Asset amortization is terminated at the earlier of the date the asset is classified as held for sale and the date the asset is derecognized.

2. Spare parts inventory

a. Spare parts inventory, regarding which the cost of a single item exceeds a defined amount, is depreciated according to the useful life of the parent asset to which the item is associated and the beginning of their depreciation is at the time the item is input into inventory (even if its operational use has not begun).

b. Inventory of spare parts where the cost of a single item is lower than a defined amount is carried to profit and loss immediately upon consumption, the cost of which is carried according to the weighted moving average.

3. Subsequent costs

The cost of replacing a part of a fixed asset item, which can be reliably estimated, is recognized as an increase in the book value at the time incurred, if future economic benefits attributable to the item are expected to flow to the entity. Current maintenance costs are carried to profit or loss when incurred.

G. Leases

A right of use asset is presented as part of the fixed assets.

A leasing liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate inherent in the lease.
Lease payments included in the measurement of the leasing liability consist of the following payments:

- Fixed payments (including payments that are of a fixed nature);
- Variable lease payments that depend on the index or rate, which are initially measured by using the existing index or rate at the commencement date;

Variable lease payments independent of the index or rate, for example depending on the Company's revenue, are not included in the measurement of leasing liabilities. Instead, these payments are recognized as current expenses in the Cost of Sale section when they actually arise.

Note 2 Significant accounting policies (cont.)

G. Leases (cont.)

The leasing liability is presented in a separate section of the statement of financial position. Leasing liabilities are then measured by increasing the book value to reflect interest on the leasing liability using the effective interest rate method and by decreasing the book value to reflect the leasing payments made.

The Company remeasures the leasing liability (against an adjustment to the right of use asset) when:

- There is a change in the leasing period or when there is a change in the valuation of an option to purchase the underlying asset. In this case, the leasing liability is measured by discounting the updated lease payments using an updated discount rate.
- There is a change in future lease payments resulting from a change in the index or rate used to determine these payments (for example, lease payments linked to the Consumer Price Index). In this case, the leasing liability is measured by discounting the updated lease payments using the original discount rate.
- A lease amendment has been made that is not treated as a separate lease. In this case, the leasing liability is remeasured by discounting the updated lease payments using an updated discount rate. When the lease amendment reduces the scope of the lease, a profit or loss is recognized, reflecting the full/partial cancellation of the lease.

Subsequently, the right-of-use asset is measured at cost less accrued depreciation and impairment losses. See also Note 8(E).

H. Cargo damage liability

The Company sets aside amounts to cover contingent claims relating to cargo damage when the Company has a current liability as a result of damages caused to the cargo in the past, expected at the level of "more likely than not" that the Company will be required to spend a negative flow of economic resources in order to settle the liability and the amount of the liability can be reliably measured.

The provision for expected claims in respect of cargo damage is assessed according to the appraisal of Company Management and its legal counsel, and for claims filed through the court, according to the assessment of legal counsel, which is based, *inter alia*, on experience accumulated in the past in similar cases.

Note 2 Significant accounting policies (cont.)

I. Intangible assets

Intangible assets are identifiable non-monetary assets lacking a physical essence and they are inspected for impairment once a year, as well as whenever there is a sign indicating that impairment may have occurred in accordance with the provisions of IAS 36. The estimated useful life of intangible assets with an indeterminate useful life is reviewed at the end of each reporting year. A change in the estimate of the useful life of an intangible asset that changes from undefined to defined, is treated in a prospective manner.

Intangible assets with a defined useful life are amortized on the straight-line method over their estimated useful life, subject to an impairment assessment. Changing the estimate of the useful life of an intangible asset with a defined lifespan is treated in a prospective manner.

The useful life taken into consideration when calculating the amortization of intangible assets with a defined useful life is as follows:

	Useful lifespan
Software	7–8 years

J. Impairment

(1) **Non-derivative financial assets**

The Company has elected to apply the lenient approach for measuring an impairment provision for leasing receivables, according to the probability of lifetime insolvency. Expected credit losses in respect of these financial assets are estimated using a provision matrix based on the Company's past experience with respect to credit losses and adjusted for factors that are specific to the borrower, general economic conditions and an assessment of both the current trend of the terms and the predicted trend of the terms at the reporting date, including the time value of money as needed.

(2) Non-financial assets

Timing of impairment examination

At the end of each reporting period, the Company examines whether there are any signs indicating impairment of its tangible and intangible assets, except for inventory. If such signs exist, the recoverable amount of the asset is estimated in order to determine the amount of impairment loss generated, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A recoverable amount is the higher of the fair value of the asset less realization costs and its value in use. In assessing the value in use, estimates of future cash flows are adjusted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and asset-specific risks for which the estimate of future cash flows has not been adjusted.

Note 2 Significant accounting policies (cont.)

J. Impairment (cont.)

When the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its book value, the book value of the asset (or cash-generating unit) is written down to its recoverable amount. An impairment loss is immediately recognized as an expense in profit or loss, unless the relevant asset is measured according to a revaluation model. In this case, the impairment loss is treated as a decrease in the revaluation fund, until it is zeroed out and the remainder, if any, is recognized in profit or loss.

When an impairment loss recognized in previous periods is canceled, the book value of the asset (or cash-generating unit) is increased back to an updated recoverable estimate, but no more than the book value of the asset (or cash-generating unit) that would exist had an impairment loss not been recognized in previous periods. Cancellation of an impairment loss is immediately recognized in profit or loss.

The Company has two cash-generating units: investment real estate and port activity. The Company measures its investment real estate in accordance with the fair value model (see Note 12). Regarding its port activity, the Company tested for impairment and found no indication of a decline in value.

K. Income taxes

1) General

Income taxes expenses (income) include total current taxes, as well as the total change in deferred tax balances, except for deferred taxes arising from transactions directly carried to equity or other comprehensive income

2) Current taxes

Current tax expenses are calculated based on the taxable income of the Company during the reporting period. Taxable income differs from pre-tax income due to the inclusion or exclusion of items of income and expenses that are taxable or deductible in different reporting periods, or that are non-taxable or deductible. Assets and liabilities for current taxes were calculated based on tax rates and tax laws enacted or whose enactment was actually completed by the date of the financial statements.

Current tax assets and liabilities are presented in a net amount when the entity has an enforceable legal right to offset the amounts recognized as well as an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Note 2 Significant accounting policies (cont.)

K. Income taxes (cont.)

3) Deferred taxes

The Company creates deferred taxes for temporary differences between the tax value of assets and liabilities and their value in the financial statements. Deferred tax balances (asset or liability) are calculated according to the expected tax rates at the time of their realization, based on the tax rates and tax laws enacted or whose enactment was actually completed, up to the date of the statement of financial position. Deferred tax liabilities are generally recognized, in respect of all temporary differences between the value for tax purposes of assets and liabilities and their value in the financial statements. Deferred tax assets are recognized for all deductible temporary differences up to an amount expected to have taxable income against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are shown in a net amount when an entity has an enforceable legal right to offset current tax assets against current tax liabilities, and when they relate to taxes on income levied by the same tax authority, and the Group intends on settling current tax assets and liabilities on a net basis.

4) In June 2017, the IASB issued IFRIC 23 – Treatment of Uncertainty Related to Income Taxes (hereinafter: the “Interpretation”). The Interpretation clarifies the rules of recognition and measurement of assets or liabilities in accordance with IAS 12 "*Taxes on Income*" in situations where there is an uncertainty relating to taxes on income. Uncertainty regarding income taxes is any tax treatment applied by an entity when there is uncertainty about whether this tax treatment will also be acceptable to the tax authorities. The uncertainty may persist until a future decision is made by the relevant tax authority or by a court.

The Interpretation states that the entity must determine whether the uncertain tax positions should be assessed separately or as part of a group of uncertain tax positions. In addition, the entity must assess whether it is likely that the tax authorities will accept the treatment that the Company has taken, or is likely to take, in connection with the uncertain tax positions, assuming that the tax authorities will check the entity's reports and all relevant information will be in their possession (100% risk of exposure). If so, the entity is required to determine the accounting treatment of the uncertain tax positions in a manner that is consistent with the tax position it has taken or is expected to take. If it is not expected at a level of "more likely than not" that the tax position of the entity will be accepted by the tax authorities, the entity is required to reflect the effect of tax-related uncertainty on income in the financial statements. In addition, the Interpretation provides guidelines for handling changes in facts and circumstances of uncertainty. See also Note 24(d)(7).

Note 2 Significant accounting policies (cont.)

L. Liabilities in respect of employee benefits

1) Post-employment benefits

The Company's post-employment benefits include pensions, a liability for severance pay and redemption of sick days and benefits for retirees. The Company's post-employment benefits are partly defined deposit plans and partly defined benefit plans. Expenses in respect of the Company's obligation to deposit funds under a Defined Contribution Plan is carried to profit or loss, at the time the work services are rendered, for which the Company is obligated to make the deposit. The difference between the deposit amount due and the total deposits paid is presented as a liability.

When the total deposits paid exceeds the required deposit for the service rendered up to the date of the statement of financial position, and this surplus will lead to a reduction of future deposits, or to a refund, the Company recognized an asset.

Expenses for a defined benefit plan are carried to profit or loss, according to the Projected Unit Credit Method, using actuarial assessments performed at the end of each reporting period. The present value of the Company's liability in respect of a defined benefit plan as of December 31, 2024 was determined by discounting the expected future cash flows in respect of the Plan using a discount rate corresponding to the market yields of high-quality corporate bonds denominated in the currency that the benefits will be paid in respect of the Plan, and have redemption periods approximately identical to the projected settlement dates of the Plan. In accordance with the Company's accounting policy, the cost of ongoing service and interest expenses for post-employment liabilities which are defined benefit plans, are included in the Operating Expenses section of the Income Statement.

Actuarial profits and losses are carried to the other comprehensive income at the time of their formation. Past Service Cost, reductions or settlements are recognized in profit or loss at the earlier of the time of amendment of the Plan or at the time of recognition of costs for related restructuring under IAS 37 or severance benefits. Actuarial gains and losses carried to other comprehensive income will not be reclassified to profit or loss at a later date.

Note 2 Significant accounting policies (cont.)

L. Liabilities in respect of employee benefits (cont.)

2) Short-term employee benefits

Short-term employee benefits are benefits that are expected to be fully settled before the end of the 12 month period following the end of the year in which the employee's qualifying service is rendered.

Short-term employee benefits in the Group include the Company's liability for short-term absences. These benefits are carried to profit or loss, or capitalized to the cost of the asset at the time of their formation. The benefits are measured on an uncapitalized basis that the Company is expected to pay. The difference between the amount of short-term benefits to which the employee is entitled, and the amount paid in respect thereof, is recognized as an asset or a liability.

3) Termination benefits

Termination benefits are benefits that are payable as a result of the Company's decision to terminate employees before the regular retirement date or an employee's decision to agree to voluntary early retirement in exchange for these benefits.

In accordance with the accounting policy of the Company, the cost of current service, interest expenses and actuarial profits or losses in respect of severance benefits are carried to profit or loss at the time of their formation under the section entitled "Implementation of a reform program – early retirement".

The Company's liability for termination is carried to profit or loss at the earlier of the time the Company is unable to withdraw from the Offer or at the time of recognition of costs for restructuring under IAS 37 which include payment of severance benefits.

4) Other long-term employee benefits

Other long-term employee benefits are benefits that are not expected to be fully settled before the end of the 12 month period following the annual reporting period in which the employee rendered the related service and do not constitute post-termination benefits or termination benefits.

Note 2 Significant accounting policies (cont.)

L. Liabilities in respect of employee benefits (cont.)

4) Other long-term employee benefits (cont.)

Other employee benefits in the Group include liabilities in respect of vacation, etc. Expenses for these benefits are carried to profit or loss, according to the Projected Unit Credit Method, using actuarial assessments performed at the end of each reporting period. The present value of the Company's liabilities in respect of these benefits is determined by discounting the expected future cash flows in respect of the Program Market yields of high-quality corporate bonds denominated in the currency in which other long-term employee benefits will be paid, and with redemption periods approximately identical to the projected settlement dates of these benefits.

Actuarial gains and losses for other long-term employee benefits are carried to profit or loss at the time of their formation. The Past Service Cost is recognized in profit or loss on the earlier of the date of amendment of the plan or at the time of recognition of costs for related restructuring under IAS 37or severance benefits.

M. Investment real estate

Investment real estate, owned by the Company, is held for the purpose of deriving long-term rental returns, or for capital appreciation or both, and is not used by the Company in the manufacture or supply of goods or services or for administrative purposes or for sale in the normal course of business.

When transferring real estate used by the owners under the cost model to investment real estate under the fair value model, an increase in the book value of the property from cost to fair value is recognized in other comprehensive income. After the transfer date, any decrease or increase in the fair value of investment real estate is recognized in profit or loss.

Mixed-use real estate, which includes a portion held for the purpose of generating rental income or for the purpose of capital appreciation and another part held for use in the production or supply of goods or services or for administrative purposes, the parts of which cannot be sold separately (or leased separately under a financial lease), is investment real estate, only if an insignificant part of it is held for use in production or supply of goods or services or for administrative purposes. Otherwise real estate is classified as owner-used real estate (fixed assets or right-of-use assets).

After initial recognition, the Company measures its investment real estate according to the fair value model. In order to determine the fair value of investment real estate, the Company relies on a valuation performed by an independent appraiser at least once a year. In addition, on each interim reporting date, the Company examines the need to update the fair value estimate of its investment real estate relative to its fair value set at the last date on which the valuation was made, in order to examine whether this estimate represents a reliable estimate of fair value as of the interim reporting date.

Note 2 Significant accounting policies (cont.)

M. Investment real estate (cont.)

This examination is done by reviewing changes in the relevant real estate market, in the rental contracts on the property, in the macroeconomic environment of the property, as well as new information regarding material transactions made in the vicinity of the property and similar properties and any other information that may indicate changes in the fair value of the asset. If in the Company's assessment there are indications with respect to certain assets that the fair value as of the interim reporting date is materially different than the fair value estimated on the last date on which the valuation was made, the Company will estimate the fair value of these assets through an external appraiser as of the interim reporting date. Profit or loss resulting from changes in the fair value of investment real estate are recognized in profit or loss for the period in which they derived under the item entitled "Changes in the fair value of investment real estate".

On September 30, 2023, the Company initially estimated the fair value of its investment real estate through a valuation performed by an external valuation. See also Note 12.

N. Revenue recognition

The Company recognized revenues from contracts with customers, as set out below, on the date that control over the merchandise or the service was transferred to the customer and measured the revenue at the amount that represents the consideration the Company expects to be entitled to receive in respect of the given merchandise or service, except for amounts that were collected on behalf of third parties.

The following are the specific criteria for revenue recognition for the following types of revenue:

Revenues from the rendering of services

Revenues from the rendering of services to ships, infrastructure fees and cargo fees are recognized according to the completion stage of the transaction (the date of completion of the service). In respect of services that are carried out over a period of time such as rental, storage and parking services, the recognition of revenues will be carried out using the straight-line method over the period of service. According to this method, revenue is recognized in the reporting periods in which services were rendered.

Note 2 Significant accounting policies (cont.)

N. Revenue recognition (cont.)

Discounts to customers

The Company operates through various marketing means, including providing various discounts and incentives such as participation in overland shipping expenses and handling fees, both for cargo owners and ship agents to increase their activity at the port.
Updates made from time to time in the rate and in the mix of discounts may affect the Company's participation rate in shipping expenses and the amount of the handling fees it collects.
Discounts and incentives to these customers are included in the statements of financial position in accordance with the expectation of discounts that will be given to customers (for example, quantity discounts or incentives that are contingent on the customer's arrival at any destinations, etc.), based on the Company's estimates, according to the "most reasonable amount" method, to the amounts of discounts that will ultimately be given and subtracted from the relevant revenue items.

Interest income

Interest income in respect of financial assets is recognized on the accrual basis according to the effective interest method.

O. Cost of revenues and discounts from suppliers

The cost of revenues also includes losses due to impairment of spare parts inventory and scrapping of the spare parts inventory.

Discounts from suppliers are deducted from the cost of sale on the dates when the qualifying conditions for those discounts are met.

P. Financing income and expenses

Financing income includes interest income in respect of amounts invested in securities and in deposits, exchange rate differences, dividend income, changes in the fair value of financial assets measured at fair value through profit or loss.

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

Financing expenses include interest expenses changes in the value of time in respect of provisions, and changes in the fair value of financial assets measured at fair value through profit or loss. Credit costs, which are not capitalized to eligible assets, are carried to the statement of comprehensive income according to the effective interest method. Profits and losses from rate differences are reported at their net.

Note 2 Significant accounting policies (cont.)

Q. Provisions

A provision pursuant to International Accounting Standard IAS 37 is recognized when the company has a present obligation (legal or implied) as a result of a past event, it is "more likely than not" that economic resources will be required to settle the liability and it can be reliably assessed. See also Note 2(B) above.

R. Amendments to existing standards that came into effect and are being implemented by the Group for reporting periods beginning on January 1, 2024:

1. IAS Amendment 1 "Presentation of Financial Statements" (Disclosure of Accounting Policy) –

   The amendment requires companies to disclose their material accounting policies, rather than their significant accounting policies. According to the amendment, information about accounting policies is material if, when taken into account in conjunction with other information provided in the financial statements, it can reasonably be expected to influence decisions made by the primary users of the financial statements on the basis of these financial statements.

   Amendment to IAS 1 also clarifies that information about accounting policy is likely to be material if, without it, users of financial statements are prevented from understanding other material information in the financial statements. In addition, the amendment clarifies that there is no need to disclose information about non-material accounting policy. Notwithstanding, to the extent that such information is provided, it should not distract from material information about accounting policy. In accordance with the provisions of the amendment to IAS 1, the amendment was implemented by the Company as part of these financial statements, effective January 1, 2023, and it led to a reduction and focus of the information provided regarding its accounting policy in relation to previous financial statements.

Note 2 Significant accounting policies (cont.)

R. Amendments to existing standards that came into effect and are being implemented by the Group for reporting periods beginning on January 1, 2024 (cont.):

2. International Financial Reporting Standard 18, Presentation and Disclosure in Financial Statements (hereinafter "IFRS 18" or the "New Standard")

The standard published in April 2024 is intended to improve the comparability and transparency of reporting on companies' performance. The new standard replaces International Accounting Standard 1, the presentation of financial statements, and does not deal with the issues of recognition and measurement of items in financial statements.

The following is an overview of the main changes that will take place in the financial statements with the implementation of the new standard, in relation to the presentation and disclosure provisions that apply today:

- The new standard will change the structure of the report on profit or loss and will include three new defined categories: Operation, Investment and Financing, as well as add two new interim summaries: operating profit and profit before financing and income taxes.
- The new standard includes guidelines for providing disclosure of Management-defined Performance Measures (MPMs)
- The new standard provides guidance regarding the grouping and fragmentation of information in financial statements, whether information should be included in the main statements or annotations, as well as disclosures regarding items defined as "others."
- The new standard includes amendments to other standards, including limited amendments to International Accounting Standard 7, a report on cash flows.

The standard will be implemented retroactively starting from the annual periods beginning on January 1, 2027 or thereafter, while providing specific disclosure as determined in the transitional provisions of the new standard.
In accordance with the provisions ofIFRS 18, early implementation is possible while providing disclosure thereof, however, in accordance with the Corporate Sector Resolution No. 2024-1, regarding the postponement of the early implementation of IFRS 18, which was published by the ISA staff on August 4, 2024, early implementation will be postponed and will be possible only as of January 1, 2025.
The Company is examining the possible impact of IFRS 18 on its financial statements, but at this stage it is unable to assess such impact. The impact of the new standard, if any, will only affect matters of presentation and disclosure.

Note 3 Cash and cash equivalents

Composition:

	As of December 31	
	2024	2023
	Thousands of NIS	
Cash on hand and banks	4,049	29,733
Bank deposits *	77,824	175,445
Foreign currency	84	209
	81,957	**205,387**

* Short-term deposits bear an average annual interest rate of 4.47% in the reporting year.

Note 4 Financial assets

Composition:

	As of December 31	
	2024	2023
	Thousands of NIS	
Financial Assets		
Corporate bonds	179,695	78,546
Government bonds and loans	124,923	270,046
Securities intended to cover vacation provision	24,314	24,126
Securities intended for the payment of liabilities in respect of short-term employee benefits	6,052	49,174
	334,984	421,892

Note 5 Trade Accounts Receivable, net

Composition:

	As of December 31	
	2024	2023
	Thousands of NIS	
Open debts	28,252	26,658
Revenue receivable	5,572	11,637
Provision for grant payment in respect of meeting goals for customers	(23,348)	(21,702)
Less - provision for doubtful debts	(2,509)	(2,292)
	7,967	**14,301**

Note 6 Accounts receivable and debit balances

Composition:

	As of December 31	
	2 0 2 4	2 0 2 3
	Thousands of NIS	
IPC – Current account	15,908	24,387
Current taxes receivable	18,463	14,101
Employees and employee-related institutions	422	7,958
Prepaid expenses	1,735	7,509
Vat	5,748	5,027
Inventory of fuels and oils	679	845
Miscellaneous receivables	7,125	3,429
Total receivables and debit balances	50,080	63,256

Note 7 Fund in respect of savings and mutual aid of employees of the Company

The item includes the balance of investment in a savings fund shared with the Company's employees, which is managed by a mutual aid association. The members of the association are Company employees (as well as the Company as a replacement for the Port Authority). An employee's membership in the fund involves a one-time fee. Every month, amounts for deposit in the fund are deducted from the members of the association as follows:

- Up to the first NIS 144, the Company adds NIS 1 for every NIS 1 deposited by employees.
- In respect of amounts in excess of NIS 144, the Company adds NIS 2 for every NIS 1 deposited by employees.

Employees who are members of the Fund are entitled to receive loans from the Fund at subsidized terms stipulated in the Fund's regulations (an interest rate of approximately 1%). The company usually withdraws the funds it deposited (in nominal amounts) only in respect of an employee who has retired from his membership in the fund. The mutual aid fund is run by an Ottoman association.

Changes in the balance of the Fund for Mutual Aid are carried in the Company’s financial statements as a reclassification between balance sheet items only, i.e., investments in the mutual aid fund increase the balance sheet balance and redemptions of monies by the fund to the Company reduce the balance sheet balance.

Note 8 Fixed assets, net

A. Composition as of December 31, 2024:

	Infrastructure and buildings	Cranes	Other operational equipment	Spare parts inventory *	Right of Use asset ***	Total
Cost:						
Balance as of January 1, 2024	**273,233**	**1,251,787**	**257,373**	**82,782**	**10,477**	**1,875,652**
Purchases	20,682	15,498	17,736	3,816	-	57,732
Realizations/derecognitions/transfers/impact of negative index/lease incentive	(12,013)	(81,741)	(53,826)	(89)	-	(147,669)
Changes in assets held for sale	-	-	26,704	-	-	26,704
Decrease (increase) in impairment provision	-	-	-	(3)	-	(3)
Additions for new leases	-	-	-	-	3,836	3,836
Derecognition for terminated leases	-	-	-	-	(2,872)	(2,872)
Balance as of December 31, 2024	**281,902**	**1,185,544**	**247,987**	**86,506**	**11,441**	**1,813,380**
Accumulated depreciation:						
Balance as of January 1, 2024	**111,453**	**516,497**	**186,956**	**12,529**	**4,053**	**831,488**
Depreciation	11,156	34,169	9,838	1,347	3,439	59,949
Redemptions/derecognitions/transfers	(1,209)	(33,649)	(34,577)	(8)	-	(69,443)
Derecognitions for terminated leases	-	-	-	-	(1,970)	(1,970)
Changes in assets held for sale	-	-	26,704	-	-	26,704
Balance as of December 31, 2024	**121,400**	**517,017**	**188,921**	**13,868**	**5,522**	**846,728**
Depreciated cost:						
As of December 31, 2024	**160,502**	**668,528**	**59,065**	**72,638**	**5,919**	**966,652**

* As of December 31, 2024, there is an impairment provision in respect of disposable spare parts in an amount of NIS 4.8 million.

** As of December 31, 2024, the usage right asset balances include vehicles only.

Note 8 Fixed assets, net

A. Composition as of December 31, 2023:

	Infrastructure and buildings	Cranes	Other operational equipment	Spare parts inventory *	Right of Use asset **	Total
Cost:						
Balance as of January 1, 2023	**251,760**	**1,331,134**	**274,149**	**79,275**	**8,323**	**1,944,641**
Purchases	21,473	58,517	12,752	2,823	-	95,565
Realizations/derecognitions/transfers/impact of negative index/lease incentive	-	(145,188)	(2,005)	(1,279)	-	(148,472)
Changes in assets held for sale	-	-	(27,523)	-	-	(27,523)
Decrease (increase) in impairment provision	-	7,324	-	1,963	-	9,287
Additions for new leases	-	-	-	-	7,071	7,071
Derecognition for terminated leases	-	-	-	-	(4,917)	(4,917)
Balance as of December 31, 2023	**273,233**	**1,251,787**	**257,373**	**82,782**	**10,477**	**1,875,652**
Accumulated depreciation:						
Balance as of January 1, 2023*	**98,959**	**618,490**	**203,913**	**11,637**	**5,578**	**938,577**
Depreciation	12,493	36,234	12,949	1,129	3,122	65,927
Redemptions/derecognitions/transfers	-	(138,227)	(2,383)	(237)	-	(140,848)
Derecognitions for terminated leases	-	-	-	-	(4,647)	(4,647)
Changes in assets held for sale	-	-	(27,523)	-	-	(27,523)
Balance as of December 31, 2023	111,452	516,497	186,956	12,529	4,053	831,486
Depreciated cost:						
As of December 31, 2023	**161,781**	**735,290**	**70,417**	**70,253**	**6,424**	**1,044,165**

* As of December 31, 2023, there is an impairment provision in respect of disposable spare parts in an amount of NIS 4.8 million.

** As of December 31, 2023, the usage right asset balances include vehicles only.

Note 8 Fixed assets, net (cont.)

C. Non-current assets held for sale

The Company regularly takes steps to sell scrapped operational equipment. Accordingly, this operating equipment is presented as part of the current assets as a non-current asset held for sale, if any.

D. Company assets at the end of the authorization period

As part of the port reform in 2005, no mechanism was established for regulating the assets of the port companies in the event that the authorization expires or ends at the end of the 49 years of authorization. During the course of 2023, the Company's board of directors approved the agreement to transfer assets of the Company used for port operations at the end of the authorization period to the State or to a person instructed by the State to the Company. This agreement is part of the entire sale agreement in connection with the privatization of the Company. See Note 27(C).

E. Leases – Lease Agreement with the Israel Ports Company

On September 17, 2020, a lease agreement was signed between IPC and the Company, which sets out the user fees for the real estate assets in lieu of those previously set. The term of the lease agreement begins on January 1, 2021 and ends on February 16, 2054. Upon termination of the agreement, all buildings and permanent appurtenances to the port land will be transferred to the ownership of IPC (hereinafter: the “transferred assets”). The lease agreement included both graded lease payments and variable lease payments per year as described below:

Income in thousands of NIS	Usage fees for variable component – a percentage of revenue
Up to 550,000	1.75%
550,000 -750,000	4.25%
750,000 -1,000,000	7.3%
Over 1,000,000	10%

Year	Fixed component usage fee in thousands of NIS
1.1.2021-31.12.2025	0
1.1.2026-31.12.2029	2,000
1.1.2030-31.12.2032	3,000
1.1.2033-31.12.2036	5,000
1.1.2037-31.12.2038	6,000
1.1.2039-31.12.2040	7,000
1.1.2041-31.12.2044	8,000
1.1.2045-31.12.2047	10,000
1.1.2048-17.02.2054	15,000

Note 8 Fixed assets, net (cont.)

In addition, as part of the lease agreement, IPC (the lessor) will pay the Company (the lessee), starting one year after the end of the year in which the Company ceases to be a wholly government-owned company (i.e., as from 2024) and for five years, an annual amount equal to 30% of IPC's revenues from the granting of rights in real estate (located in Haifa Port territory but not transferred to it), provided that the total cumulative payment that IPC makes for all 5 years shall not exceed NIS 100 million for the entire period, linked to the index (hereinafter: the "receipts from IPC").

In respect of fixed usage fees in respect of the aforementioned lease agreement, in 2021, the Company recognized a leasing liability against a right-of-use asset in the amount of NIS 92,400 thousand. The leasing liability was measured using the lessee's incremental interest rate of 3.76%.

In addition, the Company treated the amounts received from ICP as a lease incentive and accordingly, in 2021, the Company recognized a decrease in the right of use asset against an asset in respect of the receipts from IPC, which was presented gross from the liability in respect of the lease.

As of the date of the report, the present value of the lease incentive recognized against a decrease in the right of use asset is NIS 107,022 thousand. See also Note 10

Note 9 Intangible assets, net

Composition:

	As of December 31	
	2024	2023
	Thousands of NIS	
Cost:		
Balance as of January 1	101,396	92,814
Purchases	2,168	1,747
Impairment provision	-	6,835
Balance as of December 31	103,564	101,396
Accrued amortization:		
Balance as of January 1	85,735	76,786
Reduction recognized during the year	3,148	2,736
Impairment provision	-	6,213
Balance as of December 31	88,883	85,735
Balance, net		
As of December 31	14,681	15,661

Note 10 Israel Ports Company Ltd.

Composition:

	As of December 31	
	2024	2023
	Thousands of NIS	
Israel Ports Company in respect of lease incentive (a)	107,002	101,314
Israel Ports Company in respect of benefits to retirees	27,050	26,505
Total accounts receivable and debit balances	134,052	127,819

(a) For further details, please see Note 8 above.

Note 11 Fair value of financial instruments

A. Fair value compared to book value

The book values of certain financial assets and liabilities, including cash and cash equivalents, trade accounts receivable, other receivables, suppliers and other payables are in line with their fair values.

B. Fair value matrix

The following is a table that presents an analysis of financial assets measured at fair value, according to a valuation method. The different levels were defined as follows:

Level 1 – Fair value measured by using quoted prices in an active market for identical instruments.

Level 2 – Fair value measured using observable and calculated data, directly or indirectly, not included in Level 1, as stated above.

Level 3 – Fair value measured by using data that is not based on observable market data .

Note 11 Fair value of financial instruments (cont.)

As of December 31, 2023

	Level 1
	Thousands of NIS
2023:	
Financial Assets – designated to fair value through profit and loss:	
Financial Assets	334,984
Financial assets intended for termination payments	545,959
Total 2024	**880,943**
2023:	
Financial Assets – designated to fair value through profit and loss:	
Financial Assets	421,892
Financial assets intended for termination payments	560,409
Total 2023	**982,301**

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Note 12 Investment real estate

1. Initial valuation

During August 2017, the Housing Cabinet, by virtue of the government's authority under article 53 of the Planning and Building Law, decided to approve National Outline Plan 13/3/A – Development of a municipal sea front in Haifa (hereinafter – "Tama 13/3/A"). The plan was published in the Official Gazette and went into effect on October 1, 2017. During October 2017, an agreement of principles was signed between the Company and the State of Israel through the Ministry of Finance, the Israel Land Authority (ILA), and Israel Ports Company Ltd. and the Haifa Municipality and the Haifa Local Committee – which regulates the principles for the manner of development and operation of commercial-civilian activities on the municipal sea front in the area west of the port, so that it will integrate with the continuation of port activity in accordance with the provisions of TAMA 13/3/A. See also Note 25(B)(4)(a).

Upon completion of the privatization in January 2023, the Company was provided with an updated writ of authorization which stipulated with regard to a municipal sea front that the Company may carry out in the "Sea Front" area activities for the construction, maintenance and operation of facilities and buildings for the purpose of providing services and for the welfare of port visitors who use and visit the complex, for commercial, tourism, employment, residential, cultural and leisure purposes and anchorage. The Company shall be entitled to carry out the activity specified above, by itself, by anyone acting on its behalf, or through a legal entity that will be established with the Haifa Municipality or anyone on its behalf.

In light of the change in the updated writ of authorization as stated above and progress in actions to promote the development of the sea front during and after the reporting period, the Company decided that during the third quarter of 2023, sufficient evidence has accumulated to change the use of the right of use asset in respect of the "sea front" area from self-use to a purpose and use for rent and increase in capital value and, therefore, as part of the financial statements as of September 30, 2023, this right-of-use asset was classified as investment real estate. The fair value (Level 3) of investment real estate items is measured by Drori Shaked Appraisers - independent certified external appraisers who are members of the Israel Real Estate Appraisers Association, who have recognized relevant professional training, and ongoing experience regarding investment real estate in such locations and classifications assessed.

The value of the sea front complex was carried out in two stages: the first stage – a valuation according to the estimate of proper usage fees / actual revenues from open space until the realization of the building rights (until the end of the exceeding realization for port use and open storage), including revenues from existing buildings and leasable areas.

The second stage – forecasted expected revenues after the realization of the building rights, consideration of deferral until permits are obtained, etc., when the potential for expected revenues is taken into account according to a possible mix of uses as detailed in the opinion, based on assumptions and a capitalization rate of 7.65%.

Note 12 Investment real estate (cont.)

1. Initial valuation (cont.)

When determining the estimate, assumptions and information as detailed in the opinion were taken into account, including a 15% reduction in respect of uncertainty, occupancy, limitation of uses and negotiability, and after taking into account the deferral and/or balance of the period for realization until the end of the agreement in 2054.
The rental fees used in determining the estimation amounted to NIS 13 per square meter of open spaces and NIS 50-55 per square meter for office space.

Composition and change during the period

The impact of the change on the financial statements is presented below:

	2024
Balance as of January 1, 2024	379,248
Additions, net	10,943
Costs allocated to the sea front that were included in forecasted costs	(19,899)
Cumulative change in fair value recognized in profit and loss (see section 4below)	46,908
Balance of investment real estate as of December 31, 2024	417,200

As from the date of the change in the classification to investment real estate, the Company has been measuring its investment real estate in accordance with the fair value model – i.e., at its fair value, determined by an external appraiser.
At the time of the reclassification to investment real estate, the difference between the book value of the right of use asset in respect of the "sea front" area and the fair value of the "sea front" area that was reclassified as investment real estate was carried to the revaluation fund as part of the statement of comprehensive income, net of the effect of deferred taxes. It should be noted that as a result of recognizing the deferred tax liability in respect of the revaluation of the fair value of the "sea front" area, the Company recognized a deferred tax asset in respect of loss carry forwards and deductible temporary differences for which deferred tax assets have not yet been recognized, against deferred tax income in profit and loss, up to the amount of the deferred tax liability in respect of the investment real estate.
Profit or loss deriving from changes in the fair value of investment real estate after the date of initial recognition are recorded in profit or loss for the period in which they arose under the item entitled "Changes in the fair value of investment real estate."

2. Areas designated for derecognition and receipt of replacement for them

Pursuant to the land agreement signed among the Company, the Israel Land Authority, the Israel Ports Company and the Haifa Municipality dated May 2022, it was determined that the parties confirm the existence of the agreements among them as detailed in the summary of principles regarding the derecognition of Area 607 from the Company's and the Israel Ports Company’s certification area.

Note 12 Investment real estate (cont.)

The Company will hand over Lot 607 to the Israel Ports Company free of any object or person or pollution, and the Israel Ports Company will transfer it to the ILA as it received it from the Company. In addition, the parties agree to and approve the notice of the ILAA pertaining to its intention to derecognize areas from their certification area located in the area of the Seafront in order to execute future planning, estimate at a total scope of 51 dunams.

From the date of derecognition of Area 607, this area will not be part of the area of the Sea Front Project, the provisions of the Shipping and Ports Authority Law, as the case may be, shall not apply to it, and neither the Company nor the Israel Ports Company will have any responsibility regarding it. The sole responsibility shall be that of the ILA.

Against the derecognition of Area 607, the ILA shall allocate and hand over territories to the Israel Ports Company. Against the derecognition of the additional area, the ILA shall allocate and hand over to the Israel Ports Company simultaneously and in accordance with the mechanism set forth in the detailed exchange agreement, alternative areas equal in value, according to the permitted uses of the Israel Ports Company to be agreed upon between the parties. The Israel Ports Company committed to transfer the alternative areas that it receives from the Israel Lands Administration on behalf of the derecognition of area 607 and the additional area for the use of the Company. As an integral part of the replacement agreement as set out above, and in order to relocate port activity from the area of the sea front project, which includes, *inter alia*, significant investment in infrastructure in the other port areas, the ILA undertakes to transfer NIS 150 million to the Company.

During March 2024, an agreement was signed with the ILA (in connection with the transfer of possession of the land), according to which the date for the delivery of possession in Area 607 will be updated, so as to be until July 31, 2024, unless the parties agree otherwise in writing. Accordingly, possession of the said area was transferred on the date set. In addition, on the basis of certain milestones, the amount that the Company will receive was approved. The agreement is final and absolute.

During the reporting period, an amount of NIS 115 million was received on account of the receipts, in accordance with the milestones specified in the memorandum of understanding agreement. This amount was recorded in the Company's books, against expenses and investments made in connection with the relocation of the activity in accordance with the discretion of Company Management, as follows: approximately NIS 19.9 million against investment real estate for costs attributed to the seafront, approximately NIS 77.6 million against investment in equipment, the transfer of warehouses and the preparation of areas, approximately NIS 7 million for profit and loss against relocation and adjustment expenses, and the balance of approximately NIS 10.5 million was recorded as advance income to be recognized against future expenses and investments. The balance of the amount of NIS 35 million will be received when the milestones set out in the Memorandum of Understanding are met.

Note 12 Investment real estate (cont.)

3. Areas for port activity

The Company has areas used for its port operations, with an immaterial part of these areas being leased every once in a while and for different periods of time to customers of the Company's port activity. As of the date of the financial statements, these areas are classified as fixed assets on the Company's books and as real estate used by owners. The valuation as detailed did not take these areas into account.

4. The cumulative change in the fair value recognized in profit and loss

During the reporting period, the Company carried income earned as a result of a change in the fair value of investment real estate (the sea front) to the statement of income, in an amount of NIS 46,908 thousand.

Note 13 Liabilities to suppliers and service providers

Composition:

	As of December 31	
	2024	2023
	Thousands of NIS	
Israel Ports Company Ltd	29,997	46,664
Open debts to suppliers and service providers	15,429	24,203
Total suppliers and other service providers	45,406	70,867

Note 14 Employees and institutions in respect of payroll and related expenses

Composition:

	As of December 31	
	2024	2023
	Thousands of NIS	
Employees in respect of payroll*	34,639	69,149
Institutions in respect of payroll**	39,336	36,725
	73,975	105,874

* The balance as of December 31, 2024 and December 31, 2023 includes a amount of NIS 1,373 thousand and NIS 44,495 thousand, respectively, in respect of retirement grants that must be paid to employees who will retire early during the coming year.

** The balance as of December 31, 2024 and December 31, 2023 includes an amount of NIS 13,423 thousand and NIS 14,471 thousand, respectively, in respect of the share of the Company and the employees in the mutual aid fund. (See Note 7 above.)

Note 15 Accounts payable and credit balances

Composition:

	As of December 31	
	2024	2023
	Thousands of NIS	
Accrued expenses	59,934	49,658
Provision for vacation pay	17,796	17,202
Provision for damages	4,109	3,993
Advances from customers	3,040	2,993
Revenues received in advance	11,701	479
Others	2,362	1,895
	98,942	76,220

Note 16- Liabilities in respect of employee benefits, net

A. General

1) As part of the restructuring carried out at the Ports Authority in 2005, agreements were signed to regulate labor relations, retirement conditions and financial balances to cover the liabilities resulting therefrom, as of the date of commencement.

2) The main agreements in this regard include:

- A special collective agreement between the Company and the new General Histadrut (hereinafter: the Histadrut) to regulate the retirement conditions of employees transferring from the Ports Authority (hereinafter: a pension agreement).

- An agreement between IPC and the Company, to regulate the accounting between IPC and the Company, in respect of pension payments to employees who transfer with budgetary pensions, upon their retirement.

- A special collective agreement between the Company and the Histadrut, regarding the terms of the employees transferring from the Ports Authority to the Company.

- A special collective agreement between the Company and the Histadrut, regarding the terms of employment of employees from all categories in the Company (hereinafter: an employment agreement). This agreement includes provisions regarding the terms of voluntary retirement of employees transferring with budgetary pensions and employees transferring with accrued pensions.

Note 16- Liabilities in respect of employee benefits, net (cont.)

A. General (cont.)

3) The aforementioned agreements detailed above (and others) set out the conditions under which employees will voluntarily retire early during 2005, the terms of employment of all types of employees who will transfer from the Ports Authority to the Company, and the terms of retirement of employees who will undergo regular retirement. In addition, these agreements included details regarding the distribution of financial assets to cover the actuarial liabilities, as calculated close to the drafting of the agreements, in such a way that full coverage would be provided for the calculated liability. In addition, rules were established for the use of the balances of financial assets in the reserves used by the Ports Authority, above the amount required to cover liabilities.

4) In September 2016, an employment agreement was signed, valid until December 31, 2017, according to which the Company's employees would be given variable and graded salary increases depending on the employee's definition in the collective agreement (first generation / second generation founder / second generation).

5) In December 2018, an agreement of principles was signed with the State, through the Ministry of Transport, the Ministry of Finance, and with the Histadrut, according to which the Company will be fully privatized. As part of the agreement, it was stipulated that the proceeds from the privatization of the Company up to NIS 1 billion would be directed towards necessary future investments in port infrastructure, including investment in Kishon ports and deepening the water for the reception of large ships. At the same time, the Company will formulate an efficiency plan that includes early retirement of veteran employees, cancellation and consolidation of job positions, granting partial salary increases to employees in respect of efficiency and deploying an employment safety net for second-generation non-founding employees who remain for 10 years starting in 2021. It was also decided as part of the aforesaid agreement to transfer the Marine Department to a new subsidiary of IPC, with the expected consideration to the Company to be determined by two appraisers to be agreed upon between the parties. At the same time, Company Management signed a number of agreements of principle in respect of efficiency with employee representatives from the various sectors, including cancellation and consolidation of job positions, change in work processes, in return for granting salary increases to employees in respect of efficiency.

6) In accordance with the aforementioned agreement of principles, a collective agreement was signed in August 2019 between the Company, IPC, the Histadrut and the professional unions on the transfer of employees of the Company's Marine Department to IPC. The agreement was approved by the Company's Board of Directors and the Board of Directors of IPC. Further to this agreement, in November 2020, all employees of the Marine Department were transferred to the IPC.

Note 16- Liabilities in respect of employee benefits, net (cont.)

A. General (cont.)

7) In January 2020, a special collective agreement was signed (regarding the reform in the Haifa Port). As part of the agreement, it was stipulated that the Company would be fully privatized and that the proceeds from privatization up to NIS 1 billion would be directed towards required future investments in port infrastructure. In addition, efficiency plans were agreed upon to improve output and productivity, job positions were cancelled and consolidated, partial salary increments were granted to employees in respect of efficiency, changes were made to the collective dismissal mechanism for non-founding second-generation employees, a safety net established and a dedicated fund was established for premium payments, and an employment safety net was deployed for non-founding second-generation employees who remain for 10 years starting in 2021. Also, a plan was drafted for early retirement of veteran employees. As part of the early retirement plan, employees will be able to choose to retire according to the 2014 plan (see Note 16(F)) or according to the new retirement plan. It was also decided to pledge the designated funds to finance the employees' retirement conditions.

B. Summary of the retirement conditions of the Company's employees according to the various agreements

1) Retirement conditions of employees upon reaching retirement age

a) Employees transferring with budgetary pensions

As of the date of the report, the Company does not have any employees insured by budgetary pensions.

b) Employees with veteran accruing pensions

- A monthly addition, to the pension received from the veteran pension fund, to be paid by the company (hereinafter: an addition to the annuity). The calculation of the addition to the pension is made according to the mechanism described in the appendix to the agreement and is paid from the date of eligibility for annuities from the veteran pension fund.
- A discounted one-time payment of the aforementioned addition to survivors and recipients of a disability pension, before their entitlement to an old-age pension, in lieu of the disability pension.
- Graded grant in respect of non-utilization of sick days.
- A holiday gift of NIS 755, linked to the July 2004 index, paid twice a year.
- A monthly entitlement to purchase discounted shopping vouchers in the amount of NIS 650 and a grossed-up annual payment for cultural services in the amount of NIS 315. The amounts are linked to the November 2004 index.

Note 16- Liabilities in respect of employee benefits, net (cont.)

B. Summary of the retirement conditions of the Company's employees according to the various agreements (cont.)

2) Retirement conditions of employees under conditions that do not qualify for a pension

- Severance pay according to law, which the company customarily pays, even if the employee retired under circumstances that do not entitle him to severance pay by law.
- A capitalized payment of the addition to the annuity, as the term was defined above, according to the amount he accumulated during the period of his employment.

C. Conditions set for the management of designated accounts for financing the retirement conditions of employees with accrued pensions

Funds designated to cover the liability in respect of the addition to the pension to which employees with accruing pensions are entitled, together with the profits on them, up to105% of the actuarial liability in respect thereof, are deposited in a separate account managed by the Company in trust for the eligible employees.

The total monthly contributions for transferring employees to a veteran accruing pension are at a rate of 30% of the salary components for which funds are deposited in the pension fund. Out of this percentage, the required amounts are initially set aside at a rate of 22.83% according to the Articles of Association of the veteran pension fund and to a personal severance fund, and the balance, at a rate of 7.17%, is deposited in a separate bank account managed by the Company in trust for the eligible employees, in order to finance the early retirement costs of employees with accruing veteran pensions.
In January 2020, a special collective agreement was signed (regarding the Haifa Port reform) in which it was decided to establish a new dedicated account to finance the early retirement costs of employees, including employees insured by a new accruing pension. In addition, it was decided that funded amounts in the various banks were to be pledged to finance the retirement terms of transferring employees, as defined in the collective agreements.

D. **Principles of actuarial calculations**

To assess the financial liabilities in respect of employee benefits, the Company relies on actuarial calculations conducted by an external actuary. The calculation of the liability is carried out on the basis of wage agreements and the provisions of any law and in accordance with the personal data of the employees as provided to the actuary. As for the calculation of the addition to the pension for employees insured under a veteran accruing pension fund, the calculation is carried out in accordance with the provisions of Articles 29 and 30 and Appendix C of the Pension Agreement and based on a legal opinion.
The actuarial liability assessment is based on forecasts of future cash flows, which are expected based on a series of actuarial assumptions. These flows may differ from the forecast made. Similarly, these assumptions may change in the future due to various factors such as: changes in the assessment of life expectancy, changes in economic indicators, etc.

Note 16- Liabilities in respect of employee benefits, net (cont.)

The following is a summary of the principles and assumptions, used in the actuarial assessment, made for the Company by the external actuary:

D. **Principles of actuarial calculations** (cont.)

1) Regarding accruing pensions:

a) Annual increase rate of salary insured by pensions –

* All employees under collective agreements – a nominal increase of 2% from 2022 and thereafter.
* Employees in early retirement according to the 2020 reform agreement – a nominal increase of 0.85% per annum.
* Employees under personal agreements – the rate of annual wage increase as per the increase in the consumer price index.

b) Lifespan Schedules: In accordance with Circular5-9-2024 issued by the Capital Market, Insurance and Savings Department.

c) Retirement age:

For employees with accumulating pensions – men 67, women 62-67, in accordance with the Retirement Age Law.

d) The addition to the pension paid to accrued pension employees who retired was calculated on the basis of Appendix C to the Pension Agreement of February 24, 2005, as stated above, and based on a legal opinion.

e) The capitalization rate of actuarial liabilities in accruing pensions is based on the yield on high-quality corporate bonds.

2) Regarding severance pay:

a) * Actuarial tables used by the actuary: Tables included in the instructions of the Supervisor of Insurance for pension funds for the preparation of actuarial reports.

* Lifespan Schedules: In accordance with Circular 5-9-2024 issued by the Capital Market, Insurance and Savings Department.

b) Uniform cessation of employment schedule for men and women. The probabilities of cessation also include the probability of dismissal.

c) Severance pay is paid in case of workman’s disability, death (for survivors/heirs), reaching mandatory retirement age (men 67, women 62-67).

d) * All employees under collective bargaining agreements – a nominal increase of 2% from 2022 and thereafter.

* Employees under early retirement according to the 2020 reform agreement – a nominal increase of 0.85% per annum.
* Employees under personal contracts – the rate of annual wage increase equal to the increase in the consumer price index.

Note 16- Liabilities in respect of employee benefits, net (cont.)

D. **Principles of actuarial calculations** (cont.)

2) Regarding severance pay (cont.):

e) As of December 31, 2024, the annual nominal discount rate 6.2%, which is the annual nominal yield on high-quality corporate bonds in the corresponding duration of the liability.

f) The forecasted increase in the CPI is determined as the gap between the CPI-indexed interest rate curve and the nominal interest rate curve, and is updated from month to month.

g) The Company has long-term liabilities to some of its employees only on the subject of the supplementary severance pay at a rate of only 2.33%.

h) The actuarial assessment was based on the Projected Unit Credit method as required by the revised IAS 19 and by generally accepted actuarial principles.

3) Assets and liabilities due to employee benefits:

Employee benefits include short-term benefits, post-employment benefits, and other long-term benefits.

4) Post-employment benefits

Labor laws and the Severance Pay Law in Israel require the Company to pay Severance pay to an employee upon dismissal or retirement or to make regular deposits in defined deposit plans pursuant to section 14 of the Severance Pay Law, as described below. The Company's liability as a result of this is treated as a post-employment benefit. The calculation of the Company's liability in respect of employee benefits is carried out according to a valid employment agreement and is based on the employee's salary and period of employment, which create the right to receive severance pay.

Employee post-employment benefits are usually funded by deposits that are classified:

a) Defined deposit plans

Regarding some of the severance pay and pension payments, the terms of section 14 of the Severance Pay Law, 5723-1963 apply, whereby the Company's ongoing deposits in pension funds and/or provident funds and/or policies in insurance companies exempt the Company from any additional obligation to the employees, for which the amounts were deposited as stated above. These deposits as well as deposits for annuities constitute defined deposit plans.

Note 16- Liabilities in respect of employee benefits, net (cont.)

D. **Principles of actuarial calculations** (cont.)

4) Post-employment benefits (cont.)

a) Defined deposit plans (cont.)

	Year ended December 31	
	2024	2023
	Thousands of NIS	
Expenses in respect of defined-deposit plans	31,988	35,312

b) Defined Benefit Plans

The part of pension payments that is not covered by deposits in defined deposit plans, as mentioned above, is treated by the Company as a defined benefit plan. In respect of this liability, there are funds in which the Company deposits monies. The amount of assets for pensions and other benefits, included in the statements of financial position, reflects the total balances of assets in respect of employee benefits.
The weighted average life span of the defined benefit plan is 9.22%.

1) Expenses carried to the statement of comprehensive income:

	Year ended December 31	
	2024	2023
	Thousands of NIS	
Interest expenses in respect of the liability for benefits	4,444	4,758
Cost of ongoing service	2,092	1,562
Actuarial loss (profit) recognized this year, before tax	362	(11,365)
Total expenses (income) in respect of employee benefits	6,898	(5,045)

2) Changes in the present value of the liability in respect of a defined benefit plan:

	Year ended December 31	
	2024	2023
	Thousands of NIS	
Balance as of January 1	77,027	90,987
Interest expenses in respect of the liability for benefits	4,444	4,758
Cost of ongoing service	2,092	1,562
Paid benefits	(10,780)	(8,915)
Actuarial profit recognized this year, before tax	362	(11,365)
Balance as of December 31	73,145	77,027

Note 16- Liabilities in respect of employee benefits, net (cont.)

D. **Principles of actuarial calculations** (cont.)

4) Post-employment benefits (cont.)

b) Defined Benefit Plans (cont.)

3) The main assumptions in determining the liability for a defined benefit plan:

	Year ended December 31	
	2024	**2023**
	%	**%**
The discount rate for accruing pensions based on weighted average internal rate of return	6%	5.9%

c) Liability in respect of redemption of sick days – defined benefit plan:

1) Company employees (excluding employees under a personal contract) are entitled to redeem accrued and unused sick days in accordance with the terms specified in the employment agreements.
In accordance with the labor agreements, a calculation was made according to a formula which states that the sick days for which the employee is entitled to a grant (redemption of sick days) are the result of the relative utilization of sick days by the employees during their employment period, as detailed below:

Sick leave utilization	**Number of sick days payable**
Less than 36%	8 days, for every 30 days unused from the balance.
36% - 65%	6 days, for every 30 days unused from the balance.
Over 65%	0 days.

2) Actual redemption is possible only for employees who at the time of termination of their employment were at least 50 years old, and the rate of redemption to which they are entitled is as follows:

Age at the time of termination of service	**An employee born on or before 31/12/1965**	**An employee born on or after January 1, 1966**
50	30%	30%
51	40%	40%
52	50%	50%
53	60%	60%
54	70%	70%
55	100%	80%
56	100%	90%
57 and older	100%	100%

Note 16- Liabilities in respect of employee benefits, net (cont.)

D. **Principles of actuarial calculations** (cont.)

4) Post-employment benefits (cont.)

c) Liability in respect of redemption of sick days – defined benefit plan (cont.):

3) The calculations are based on the value of sick days in the salary of November 2023.

4) Before retirement age, there may be "departures" due to disability (loss of work capacity), death or "normal" departure from the place of employment.

5) Lifespan schedules: In accordance with circular 5-9-2024 publicized by the Capital Market, Insurance and Savings Department.

6) Assumption that in the future the rate of utilization of sick days will be the same as it was in the past (as a function of age). The higher the age, the higher the rate of sick leave utilization allows for the accumulation of a maximum redemption balance, provided of course that the seniority at work in the Company is large. Since the Company's employee population is small, it is not possible to prepare a specific sick leave utilization schedule as a function of age, gender, seniority in the Company, etc.

7) Full utilization of sick days for cases of disability for employees insured by the veteran accruing pension fund, in accordance with the regulations of the veteran pension fund.

8) The annual nominal discount rate is 6% as of December 31, 2024, which is the annual nominal yield on high-quality corporate bonds.

9)
* All employees under collective agreements – a nominal increase of 2% from 2022 and thereafter.
* Employees in early retirement according to the 2020 reform agreement – a nominal increase of 0.85% per annum.
* Employees under personal agreements – the rate of annual wage increase is equal to the increase in the consumer price index.

10) The following is the balance of the liability in respect of redemption of sick days:

	As of December 31	
	2024	2023
	Thousands of NIS	
Balance of the liability in respect of redemption of sick days	11,253	14,612

Note 16- Liabilities in respect of employee benefits, net (cont.)

E. Details of transactions and balances

1) Composition and movement of liabilities in respect of employee benefits

<table>
<tr><th></th><th colspan="4">Accruing pension</th><th></th><th colspan="2">Retirement Grants</th><th></th><th></th></tr>
<tr><th></th><th>Annuity Supplement*</th><th colspan="2">Early Retirement</th><th>Total accruing pension</th><th>Benefits for retirees</th><th>In respect of non-utilization of sick days</th><th>In respect of severance pay</th><th>2 0 2 4</th><th>2 0 2 3</th></tr>
<tr><th></th><th></th><th>Veteran pension</th><th>New pension</th><th></th><th></th><th></th><th></th><th></th><th></th></tr>
<tr><th></th><th colspan="9">Thousands of NIS</th></tr>
<tr><td>Balance at the beginning of the year</td><td>38,383</td><td>235,347</td><td>188,899</td><td>462,629</td><td>26,505</td><td>14,612</td><td>15,895</td><td>519,641</td><td>570,049</td></tr>
<tr><td>Movement:</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Pension payments</td><td>(2,951)</td><td>(47,116)</td><td>(42,205)</td><td>(92,272)</td><td>-</td><td>(2,695)</td><td>-</td><td>(94,967)</td><td>(82,571)</td></tr>
<tr><td>Update of liability to IEC receivable</td><td>-</td><td colspan="2">-</td><td>-</td><td>545</td><td>-</td><td>-</td><td>545</td><td>(535)</td></tr>
<tr><td>Actuarial loss (profit) carried to other comprehensive income</td><td>(460)</td><td colspan="2">565</td><td>105</td><td>-</td><td>(970)</td><td>(2,537)</td><td>(3,402)</td><td>(11,365)</td></tr>
<tr><td>Cost of current service, interest and actuarial loss carried to profit and loss</td><td>5,228</td><td colspan="2">31,749</td><td>36,977</td><td>-</td><td>306</td><td>3,069</td><td>40,352</td><td>44,063</td></tr>
<tr><td>Total movement in the period, net</td><td>1,817</td><td>(40,126)</td><td>(16,881)</td><td>(55,190)</td><td>545</td><td>(3,359)</td><td>532</td><td>(57,472)</td><td>(50,408)</td></tr>
<tr><td>Total</td><td>40,200</td><td>195,221</td><td>172,018</td><td>407,439</td><td>27,050</td><td>11,253</td><td>16,427</td><td>462,169</td><td>519,641</td></tr>
<tr><td>Current maturity</td><td>-</td><td>(1,373)</td><td>-</td><td>(1,373)</td><td>-</td><td>-</td><td>-</td><td>(1,373)</td><td>(44,495)</td></tr>
<tr><td>Year-end balance</td><td>40,200</td><td>193,848</td><td>172,018</td><td>406,066</td><td>27,050</td><td>11,253</td><td>16,427</td><td>460,796</td><td>475,146</td></tr>
</table>

* Includes supplementary compensation component of 6% and joint pension (in respect of retirees who transitioned from budgetary pension to Nativ's veteran accruing pension).

Note 16- Liabilities in respect of employee benefits, net (cont.)

E. Details of transactions and financial balances (cont.)

2) Composition and movement designated to cover liabilities:

	Accrued pension				Retirement Grants In respect of non-utilization of sick days	2024**	2023
	Annuity Supplement *	Early Retirement		Total accruing pension			
		Veteran pension	New pension				
	Thousands of NIS						
Balance as of the beginning of the year	84,779	220,584	59,637	365,000	29,870	394,870	442,353
Movement:							
Withdrawals	(2,951)	(47,116)	(42,205)	(92,272)	(2,695)	(94,967)	(82,571)
Payments not yet returned to current	344	5,300	5,303	10,947	523	11,470	14,868
Income in the period	3,714	7,434	3,582	14,730	1,288	16,018	20,220
Total movement for the year, net	1,107	(34,382)	(33,320)	(66,595)	(884)	(67,479)	(47,483)
Total	85,886	186,202	26,317	298,405	28,986	327,391	394,870
Current maturity	-	(1,373)	-	(1,373)	-	(1,373)	(44,495)
Year-end balance	85,886	184,829	26,317	297,032	28,986	326,018	350,375

* Includes supplementary severance component of 6% and joint pension (in respect of retirees who transitioned from budgetary pension to Nativ's veteran accruing pension).

** Financial assets designated for payment of employee benefits in the statement of financial position includes an amount of NIS 219 million as of December 31, 2024 and an amount of NIS 210 million as of December 31, 2023, for purposes of the future retirement plan. See also Note 27(a)(3).

Note 16- Liabilities in respect of employee benefits, net (cont.)

E. **Details of transactions and financial balances (cont.)**

3) Balance of funded amounts for employee benefits less the balance of liabilities*:

	Accruing pension					Retirement Grants			
	Annuity Supplement	Early Retirement		Total accruing pension	Benefits for retirees	For non-utilization of sick days	In respect of severance pay	2024	2023
		Veteran pension	New pension						
	Thousands of NIS								
Total funded amounts as detailed in section (2) above	85,886	184,829	26,317	297,032	-	28,986	-	326,018	350,375
Total liabilities as detailed in section (1) above	(40,200)	(193,848)	(172,018)	(406,066)	(27,050)	(11,253)	(16,427)	(460,796)	(475,146)
Surplus (deficiency) funded portion over liability	45,686	(9,019)	(145,701)	(109,034)	(27,050)	17,733	(16,427)	(134,778)	(124,771)

* It should be noted that the Company's funded amounts do not meet the definition of "plan assets" within the meaning of International Accounting Standard 19 "*Employee Benefits*".

Note 16- Liabilities in respect of employee benefits, net (cont.)

E. **Details of transactions and financial balances (cont.)**

4) Amounts carried to the statement of comprehensive income for the years ended December 31, 2024 and December 31, 2023:

Year 2024

	Accrued pension			Retirement Grants		
	Annuity Supplement	Early retirement	Total accruing pension	For non-utilization of sick days	In respect of severance pay	Total
	Thousands of NIS					
In the profit and loss statement, in the payroll expenses section:						
Cost of ongoing service	736	-	736	414	942	2092
Interest expenses	2,375	418	2,793	116	987	3,896
In the profit and loss statement, in the expenses in respect of implementation of early retirement section (2020 Plan):						
Expenses in respect of implementation of early retirement, net	-	30,164	30,164	-	-	30,164
In the other comprehensive income statement:						
Actuarial profit (loss)	1,657	1,828	3,485	(1,726)	(1,397)	362
In the financing income section:						
Profits in funded amounts	(3,714)	(11,016)	(14,730)	(1,288)	-	(16,018)

Note 16- Liabilities in respect of employee benefits, net (cont.)

E. **Details of transactions and financial balances (cont.)**

4) Amounts carried to the statement of comprehensive income for the years ended December 31, 2024 and December 31, 2023:

Year 2023

	Accrued pension			Retirement Grants		
	Annuity Supplement	Early retirement	Total accruing pension	For non-utilization of sick days	In respect of severance pay	Total
	Thousands of NIS					
In the profit and loss statement, in the payroll expenses section:						
Current provisions						
Cost of ongoing service	63	34	97	505	960	1,562
Interest expenses	2,460	597	3,057	759	942	4,758
In the profit and loss statement, in the expenses in respect of implementation of early retirement section (2020 Plan):						
Expenses in respect of implementation of early retirement, net	-	37,808	37,808	-	-	37,808
In the other comprehensive income statement:						
Actuarial profit	(8,513)	428	(8,085)	(2,103)	(1,177)	(11,365)
In the financing income section:						
Profits in funded amounts	(3,617)	(16,652)	(20,269)	49	-	(20,220)

Note 16- Liabilities in respect of employee benefits, net (cont.)

F. Liabilities in respect of early retirement for employees in old and new accruing pensions

In 2014, the Company passed a voluntary retirement plan for its employees, which was valid until March 31, 2014. In accordance with the plan, which was approved by the Company's board of directors, by the Government Companies Authority and by the Commissioner of Wages at the Ministry of Finance, the Company pays employees who have retired and who are insured by a veteran accruing pension, a temporary benefit during the early retirement period and provident contributions to the veteran pension fund for a period of up to 5 years from the earlier of the date of retirement or until the retiree reaches the legal retirement age. In addition, all retiring employees are entitled, in accordance with this plan, to one-time retirement grants. This early retirement plan (the "2014 Plan") was treated in the financial statements as a post-employment benefit – a defined benefit plan and therefore an actuarial profit or loss for it was carried to other comprehensive income (and the cost of ongoing service and financing was carried to operating expenses).

In January 2020, a special collective agreement was signed (regarding the Haifa Port reform) in which a voluntary retirement plan for the Company's employees was agreed upon (the "2020 Retirement Plan"), approved by the Company's Board of Directors, the Government Companies Authority and the Commissioner of Wages at the Ministry of Finance, whereby the Company will pay retiring employees insured by an accruing old pension or a new accruing pension, a temporary benefit during the early retirement period and provident contributions to the pension fund until the retiree reaches the legal retirement age. In addition, all employees who have retired, in accordance with this program, are entitled to one-time retirement grants.

Employees were entitled to choose to retire under the terms of the 2014 plan or under the terms of the 2020 plan, with the employees' retirement extending from the period beginning with the approval of the plan by the competent bodies and ending on December 31, 2024.

As part of the plan, 195 veteran employees of the company retired.
It should be clarified that most of the funds earmarked for financing the retirement plan originate from the surplus funded amounts (of the retirement plan funds) that the Company has accumulated over the years. The Company expects that the expected fruits over the years of the surplus funded amounts will increase the financial sources for financing this program.
This early retirement plan (the "2020 Plan") was treated in the financial statements as a termination plan and therefore actuarial profit or loss for it was carried to profit and loss (as well as ongoing service and financing cost) and was presented in the statement of income on a separate line "Implementation of the Reform Plan – Early Retirement".

Note 16- Liabilities in respect of employee benefits, net (cont.)

F. Liabilities in respect of early retirement for employees in old and new accruing pensions (cont.)

Implementation of an Early Retirement Reform Plan

The Company recorded during the period on a separate line in the Statement of Income, "Implementation of an Early Retirement Reform Plan", an increase of the liability in respect of the retirement plan in the amount of NIS 30.2 million, deriving mainly from other actuarial losses of NIS 2.8 million, in addition to the expenses of the "ongoing service cost of the retirement plan" and interest expenses of NIS 27.4 million.

G. Compensation for employees in connection with the privatization of the company and the retirement plan

On January 10, 2023, the acquisition transaction (hereinafter: the "Privatization Agreement" or the "Purchase Agreement") was completed, after which the Company became a private company. As a result, employees of the Company are entitled to payments resulting from the completion of privatization and the sale of the Company's shares (whether these payments are paid by the Company or by the State).
During the course of 2024, grants were paid in respect of the privatization plan to senior officers and other employees of the Company, in a total amount of NIS 1.8 million. In addition, during 2024, an amount of NIS 58.9 million was recorded in respect of the retirement of second-generation employees – see in addition Note 27(N).

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Note 16- Liabilities in respect of employee benefits, net (cont.)

H. Sensitivity analyses of the main components (early retirement plan):

The following is a sensitivity analysis of the early pension and provident components:

	Change rate	Change in thousands of NIS
Discount interest rate increase	0.5%	9,079
Decrease in discount interest rate	-0.5%	(9,485)

The following is a sensitivity analysis of the premium and adaptation component:

	Change rate	Change in thousands of NIS
Discount interest rate increase	1%	2
Decrease in discount interest rate	-1%	(2)

Note 17- Equity attributed to the shareholders of the Company

Composition:

	As of December 31	
	2024	**2023**
	Ordinary shares of NIS 1	
Number of shares authorized	400,000,000	400,000,000
Number of shares issued and paid-in *	1,330	1,330

* See also Note 27(a).

Note 18- Financial instruments

The Company's financial assets primarily include cash and cash equivalents, short-term deposits, securities, trade accounts receivable, accounts receivable and debit balances, liabilities to suppliers and service providers, accounts payable and credit balances, and long-term financial liabilities.
The book values of the financial assets and liabilities included in the sections of the statements of financial position constitute an approximation of fair value.

A. The Company's activities expose it to risks related to various financial instruments such as interest rate risk, currency risk and credit risk. The Company's risk management focuses on activities to minimize possible negative effects on the Company's financial performance.
The management of the Company's financial risks is under the responsibility of the Chief Financial and Economics Officer.

1) Credit risk – The Company's revenues derive from a wide dispersion of various customers. The Company's credit customers set up a deposit or guarantee to ensure payment of their debt. The Company regularly examines the quality of customer balances in order to determine the amount of the provision for doubtful debts.
2) Liquidity risks derive from management of the Group’s working capital, as well as from financing expenses and repayment of the principal of the Group’s debt instruments. The Group’s policy is to ensure that the cash that is held is always sufficient to cover the liabilities when they come due.

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Note 18- Financial instruments (cont.)

c. Linkage terms of monetary balance as of December 31, 2024:

	Foreign currency	Index-linked	Unlinked	**Total**
Assets				
Current assets:				
Cash and cash equivalents	96	-	81,861	81,957
Financial assets and short-term deposits	4	155,327	1,450,681	1,606,012
Trade accounts receivable, net	-	19	7,948	7,967
Accounts receivable and debit balances	-	54	50,026	50,080
Total	**100**	**155,400**	**1,590,516**	**1,746,016**
Non-current assets:				
Long-term debit balance - mutual aid fund	-	-	28,105	28,105
Long-term investments	-	-	473,258	473,258
Financial assets designated for the payment of employee benefits	-	68,565	477,394	545,959
Israel Ports Company Ltd.	-	107,002	27,050	134,052
Total	**-**	**175,567**	**1,005,807**	**1,181,374**
Liabilities:				
Current liabilities:				
Suppliers and service providers	3,702	-	41,704	45,406
Employees and institutions for payroll and related expenses	-	-	73,975	73,975
Liabilities in respect of the privatization grant to employees	-	-	1,000	1,000
Current leasing liabilities	-	-	3,327	3,327
Accounts payable and credit balances	-	-	98,942	98,942
Dividend payable	-	-	55,000	55,000
Total	**3,702**	**-**	**273,948**	**277,650**
Non-current liabilities:				
Liabilities in respect of employee benefits	-	-	460,796	460,796
Leasing liabilities	-	-	109,990	109,990
Total	-	-	**570,786**	**570,786**

Note 18- Financial instruments (cont.)

d. Linkage terms of monetary balance as of December 31, 2023:

	Foreign currency	Index-linked	Unlinked	**Total**
Assets				
Current assets:				
Cash and cash equivalents	209	-	205,178	205,387
Financial assets and short-term deposits	3	167,928	1,345,709	1,513,640
Trade accounts receivable, net	-	420	13,881	14,301
Accounts receivable and debit balances	-	133	63,123	63,256
Total	**212**	**168,481**	**1,627,891**	**1,796,584**
Non-current assets:				
Long-term debit balance - mutual aid fund	-	-	29,957	29,957
Long-term investments	-	-	452,883	452,883
Financial assets designated for the payment of employee benefits	1,036	77,787	481,586	560,409
Israel Ports Company Ltd.	-	101,314	26,505	127,819
Total	**1,036**	**179,101**	**990,931**	**1,171,068**
Liabilities:				
Current liabilities:				
Suppliers and service providers	4,011	-	66,856	70,867
Employees and institutions for payroll and related expenses	-	-	105,874	105,874
Liabilities in respect of the privatization grant to employees	-	-	4,393	4,393
Current leasing liabilities	-	-	2,949	2,949
Accounts payable and credit balances	-	-	76,220	76,220
Dividend payable			142,000	142,000
Total	**4,011**	**-**	**398,292**	**402,303**
Non-current liabilities:				
Liabilities in respect of employee benefits	-	-	475,146	475,146
Leasing liabilities	-	-	106,907	106,907
Total	-	-	**582,053**	**582,053**

Note 19- Revenues

Composition	Year ended December 31	
	2024	2023
	Thousands of NIS	
Cargo services	491,230	550,606
Infrastructure fees – Haifa Port Company	119,097	73,395
Services to ships	36,523	42,236
Rental fees in yellow areas	23,392	25,085
Other services	10,156	11,445
	680,398	702,767

Note 20- Cost of revenues

Composition:

	Rear ended December 31	
	2024	2023
	Thousands of NIS	
Payroll and related expenses in operational departments	277,246	307,341
Depreciation and amortization	55,723	61,693
Operations and maintenance of equipment	69,988	57,610*
Usage Fees (appendix a – see next page)	42,383	44,611
Security	28,460	35,064
Electricity, water and municipal taxes	32,467	33,561
Insurance	10,157	10,162
Social, Cultural and welfare activities for employees	3,867	4,197
Office expenses and communications	2,331	2,712
Others	969	1,012
	523,591	557,963*

* Reclassified.

Appendix A – Usage fees

	Year ended December 31	
	2024	2023
	Thousands of NIS	
Fixed usage fees according to the Shipping and Ports Authority Law*	27,216	28,111
Proper usage fees:		
Proper usage fees - variable component	15,167	16,118
Rental Fee - Kishon East Pier	-	382
Net of 75% of revenues from assets not transferred for the Company's use, net	42,383	44,611

* See Note 1(E).

Note 21 General and administrative expenses

Composition:

	Year ended December 31	
	2 0 2 4	2 0 2 3
	Thousands of NIS	
Labor wages, salaries and related expenses	65,255	69,636
Computers and information systems	12,772	12,614
Depreciation and amortization	7,402	6,824
Professional consultation fees	6,535	9,547
Social, cultural and welfare activities for employees	1,520	1,466
Advocacy and public relations	1,955	1,453
Electricity, water and municipal taxes	1,669	1,440
Insurance	1,348	1,345
Office expenses and communication	829	901
Board of Directors	693	1,369
Others	2,955	5141
	102,933	111,736

Note 22 Other expenses/income, net

Composition:

	Year ended December 31	
	2 0 2 4	2 0 2 3
	Thousands of NIS	
Other income (expenses) and in respect of prior years	(10,552)	14
Expense reimbursement – investment real estate (see also Note 12 above)	6,930	-
Income and expenses in connection with IPC (see also Note 25(B)(3)(a)*	946	(2,556)
Capital gain on the sale of fixed assets, net	232	305
	(2,444)	(2,237)

* As of December 31, 2024 and 2023, the amount includes a decrease of NIS 0.9 million in the provision vis-à-vis IPC and an increase of 2.6 million in the provision vis-à-vis IPC, respectively, in respect of privatization grants from the Marine Department. See Note 25(B)(2)(b) (1+2).

Note 23 Financing Income / Expenses

Composition:

	Year ended December 31	
	2024	2023
	Thousands of NIS	
Financing income		
Interest income	82,254	71,420
Gains on investments financial assets restricted as to use	20,072	21,926
Income from financial assets	9,332	23,360
Interest income on leasing liability	1,474	878
Interest on income tax	-	337
Gains on changes in exchange rates, net	358	128
Financing income	113,480	118,049
Financing expenses		
Management fees and bank commissions	459	2,518
	459	2,518

Note 24 Taxes on income

A. Tax rates applicable to the Company

Current taxes for the reporting periods are calculated at a tax rate of 23% (from 2018 and thereafter).

B. Tax assessments

The Company has final tax assessments up to and including the 2019 tax year. The Company has filed its own tax self-assessments for the tax years 2019-2022.

C. Tax loss carryforwards

As of December 31, 2024, the Company has capital tax loss carryforwards amounting to NIS 66.8 million, which are carried forward to the coming years. In addition, as of December 31, 2024, the Company had business tax loss carryforwards of NIS 163.7 million.

Note 24 Taxes on income (cont.)

D. Legislation to regulate tax aspects deriving from the restructuring process

1) As part of the Ports Authority's restructuring process, which was carried out through legislation, discussions were held between the Tax Authority, the Government Companies Authority and representatives of the Port Companies and IPC, and regulations were drafted regulating various tax issues arising from the restructuring process that was carried out.

2) The tax issues that are for the Company in this arrangement, according to the current format, are:
   - Setting the original price and the date of purchase of the assets, for purposes of calculating the capital gain and for calculating depreciation.
   - Treating the losses that are transferred from the Ports Authority and their distribution among the companies.
   - The treatment of expenses in respect of payments of pensions to employees and former employees.
   - Distribution among the companies of tax charges arising from withholding assessments and income assessments for the years up to 2005.
   - Other issues relating to the transition period.

3) Regarding the determination of the original price and the date of purchase, the wording in the regulations states that capital gains and depreciation should be calculated as if the assets are still registered in the accounting records of the Ports Authority.

4) Regarding tax loss carryforwards, an amount of up to NIS 1 billion as of the date of commencement shall be allowable for distribution among the companies. Out of this amount, according to a division in principle made by the Companies Authority, an amount of NIS 270 million was carried to Haifa Port Company Ltd.

5) Regulating the tax issues as far as the actuarial aspects are concerned relates to the allowance of expenses in respect of deposits made for funded amounts prior to the establishment of funds within the meaning of the law, allowance of expenses for deposits in the funds after they are established, and exemption from tax on profits in the aforementioned funds.

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Note 24 **Taxes on income (cont.)**

D. Legislation to regulate tax aspects deriving from the restructuring process (cont.)

6) In addition, these regulations regulate the principles for the distribution and recording of the Port Authority's revenues accrued after the commencement date, expenses in respect of the past that were not deductible and whose deductibility is realized after the commencement date, and the division of tax liability arising from assessments for the periods preceding the commencement date. In principle, these distributions were made according to the practical allocation of each issue to the relevant company.

7) As stated above, these regulations have been approved. Therefore, when it comes to tax calculation, recognition of deferred taxes and recording of assets and liabilities on the commencement date, the Company has taken the following approach:

- The balance of assets for tax purposes, including the date of purchase, shall be according to the balances that would have been calculated had they been managed in the accounting records of the Ports Authority. The Company reconstructed the asset data for tax purposes, as they were, to the best of its knowledge, in the Ports Authority's books for tax purposes. This was based on past reports submitted for tax purposes and on the basis of the division of assets handed over to the Company by the State, as described above. It should be noted that the special report in accordance with article 11(2) of the Shipping and Ports Authority Regulations (Provisions regarding tax law), 5769-2009 was submitted to the Tax Authority.
- Accordingly, the calculation of the deferred taxes was made in respect of the difference between the balances for tax purposes as calculated by the Company, and the balances of assets recorded on the basis of the fair value calculated as stated above.
- Payments from the funds to cover the Company's liabilities in respect of employee benefits are recognized as an expense for tax purposes.
- Profits from investments of funds earmarked for budgetary pensions are tax exempt.
- Commencing in 2010, and on the basis of legal advice, the Company adopted a broad interpretation of the regulations also regarding financing income from the profits earmarked for financing the retirement terms of employees insured by accruing pensions, just as it operates with respect to the financing profits from the funding for budgetary pensions. If this interpretation is not acceptable to the tax authorities, there is exposure of the company to payment of tax in respect of the profits of these funded amounts.

Note 24 Taxes on income (cont.)

E. Deferred taxes

Composition:

	Statements of financial position as of December 31		Statements of comprehensive income for the year ended December 31	
	2024	2023	2024	2023
	Thousands of NIS		Thousands of NIS	
Deferred tax assets			Tax expenses (tax income)	
Provision for non-utilization of sick days	2,588	3,361	773	509
Privatization grants to employees	230	532	302	35,362
Employee benefits	98,858	111,430	12,572	10,929
Vacation provision	4,093	3,956	(137)	326
Capital tax loss carryforwards	15,371	9,723	(5,648)	(3,973)
Thirteenth salary	454	1,146	692	(620)
Provision for doubtful debts	577	527	(50)	(42)
Usage right assets	90	8	(82)	(1)
Deferred tax on receipts from white areas	9,637	9,637	-	-
Business tax loss carryforwards	37,651	38,205	554	(31,779)
Provision for spare parts	1,111	1,111	-	39
Loss on as yet unrealized securities	-	2,196	2,196	-
Total	170,660	181,832	11,172	8,554
Impairment provision	-	-	-	(99,418)
	170,660	181,832	11,172	(90,864)

Deferred tax liabilities			Tax expenses (tax income)	
Fixed assets	91,548	94,935	(3,387)	4,885
Unrealized gains on securities	4,713	-	4,713	-
Investment real estate	97,289	86,500	10,789	-
Accrued expenses in respect of employees	1,203	1,258	(55)	341
	194,753	182,693	12,060	5,226

Note 24 Taxes on income (cont.)

F. Income taxes included in the statements of comprehensive income

Composition:

	Year ended December 31	
	2024	2023
	Thousands of NIS	
Deferred tax expenses (income) carried to profit or loss	23,232	(85,638)
Deferred tax expenses (income) carried to other comprehensive income in respect of actuarial losses	84	(2,615)
Total tax expenses (income) in the statement of income	23,316	(88,253)

G. Theoretical tax

The following is a reconciliation between the theoretical tax amount and the amount of taxes on income recognized in profit or loss:

	Year ended December 31	
	2024	2023
	Thousands of NIS	
Income (loss) before taxes on income	120,480	102,298
Statutory tax rate	23%	23%
Tax expenses (income) at statutory tax rate	27,710	23,529
Increase (decrease) in taxes on income due to the following factors:		
Temporary differences for which no deferred taxes were recognized in the period and in prior periods	(1,918)	(8,793)
Change in decline in value of deferred taxes	-	(99,418)
Depreciation recognized for tax purposes	(3,293)	746
Non-deductible expenses net of tax-exempt income	204	(3,888)
Other differentials	613	(429)
Total taxes on income	**23,316**	**(88,253)**

Note 25 Commitments, contingent liabilities, guarantees and liens

A. Commitments

The following is a list of the Company's material commitments as of the date of approval of the financial statements:

As part of the Company's preparations for competition regarding ports, Company Management, in coordination with IPC, decided to carry out extensive rehabilitation work at the Kishon West pier. Rehabilitation work on the pier began in March 2021 and is expected to continue until the end of 2025. The company's share in the execution of the project is estimated at 30 million NIS and may change as changes are applied during the execution of the project. An amount of NIS 3.5 million has not yet been recorded in the books.

In 2023, the Company entered purchase agreements for the acquisition of a mobile crane for Kishon Pier, for the acquisition of other heavy equipment for projects scheduled to end by the end of June 2026, for a total amount of NIS 36.6 million. An amount of 9.7 million has not yet been recorded in the financial records.

B. Contingent liabilities

1) Liabilities for cargo damage, dockworker damage, work accidents and damages to third parties.

The Company was served with monetary demands and lawsuits for damages to cargo damages, dockworker damages, work accidents and damages to third parties in the aggregate amount of NIS 43,441 thousand. In the opinion of Company Management and its legal counsel, and regarding legal claims based on the opinions of its legal counsel, the risk to the Company in respect of the aforementioned financial demands and legal claims amounts to NIS 3,851 thousand. Accordingly, an appropriate provision was recorded in the Company's financial statements.

Note 25 Commitments, contingent liabilities, guarantees and liens

B. **Contingent liabilities (cont.)**

2) Liabilities in respect of employment agreements and employee claims -

a) Lawsuits were filed against the Company regarding employer-employee relations for a total amount of NIS 2,460 thousand. In the opinion of Company Management, based on the opinions of its legal counsel, the risk to the Company in respect of these claims amounts to NIS 120 thousand. Accordingly, an appropriate provision was recorded in the Company's financial statements.

b) Benefits for employees as a result of a future IPO on the stock exchange -
Pursuant to a special collective agreement (transitional agreement) dated February 24, 2005, the Company's employees will be entitled to the following benefits:

1. “Shifting” supplement:
First-generation employees and founding second-generation employees are entitled to an annual “shifting” supplement of up to a maximum of 16% (compared to the “shifting” addition that they were entitled to on October 31, 2005). Generation A employees and founding second generation employees will be entitled to a “shifting” supplement in the first month's salary, which will be paid after the initial public offering of the Company's shares, in such a way that the maximum rate of a “shifting” supplement will be 21%. The “shifting” supplement for privatization was included in the determining salary of employees who retired in the 2020 retirement plan according to the reform agreement. See also Note 27(G).

2. Second transition grant:
In addition to the “shifting” supplement, first generation employees and second generation founding employees will be entitled to a second transition grant of NIS 50 thousand (gross) on the date of the first salary paid to them after the initial public offering of the Company's shares. As of the date of the financial statements, the total of the second transition grant amounts to NIS 25 million. See also Note 27(H).

3. Additional compensation for privatization:
In accordance with the reform agreement signed in 2020 and in accordance with the provisions of the Government Companies Authority's circular regarding the granting of compensation to employees for the private sale of State shares, the Company will pay additional compensation to eligible employees in the amount of 3% of the proceeds of the sale of the State shares.

Note 25 Commitments, contingent liabilities, guarantees and liens

B. **Contingent liabilities (cont.)**

2) Liabilities in respect of employee claims and employment agreements (cont.) –

b) Benefits for employees as a result of an IPO on the stock exchange (cont.) –

3. Additional compensation for privatization (cont.):

In accordance with the agreement to finance employee compensation for the sale of the shares sold on January 10, 2023 between the Company and the State, it was stipulated that from any amount of consideration above the "investment amount", which amounts to approximately NIS 1.075 billion and which will be transferred to the State treasury, the State will bear the amount of 3% for the compensation of the eligible employees. This agreement stipulates that the Company will pay the eligible employees the privatization compensation even if by the time of payment the State has not transferred to the Company its share of the financing of the remuneration as stated above. See also Note 27(I) and 27(J).

4. Remuneration of senior management members for privatization:

During 2022, the Government Companies Authority also approved a grant outline for members of senior management (employees having personal contracts) in the event of the termination of their employment in connection with the privatization of the Company. The total cost of the grant and retirement arrangement for senior management members, which has already been approved by the Company's board of directors and the Government Companies Authority, may amount to NIS 8.5million. It should be clarified that that during the year, expenses were recorded in an amount of NIS3.3 million in respect of this cost.

5. 2018 Grant - Second Phase:

See Note 27(F)

In January 2020, a special collective agreement (regarding the Haifa Port reform) was signed between the Company and the General Workers' Histadrut, in which it was agreed that with regard to the rights of first-generation and second-generation founding employees pursuant to the 2005 transition agreement, the date of completion of the privatization will be considered as the date of "execution of the initial public offering". It is also clarified that first-generation and second-generation founding employees will be entitled to the rights specified in the 2005 transition agreement in respect of privatization, including the shifting supplement (clauses 9.3.1.5 and 9.3.1.6 regarding first-generation employees and clauses 9.3.2.6 and 9.3.2.8 regarding second-generation founding employees).

Note 25 Commitments, contingent liabilities, guarantees and liens

B. **Contingent liabilities (cont.)**

2) Liabilities in respect of employee claims and employment agreements (cont.) –

b) Benefits for employees as a result of an IPO on the stock exchange (cont) –

In addition, it was agreed as part of the aforementioned collective agreement that in respect of each first generation founder and second generation founding employee who retires under the retirement plan according to Part C of this agreement before the date of completion of the privatization, and had he not retired in the retirement plan, he would have been entitled to a "second transition grant" in the amount of NIS 50,000 (gross) according to the 2005 transition agreement, but will not be entitled to it since he will no longer be an employee of the Company at the time of completion of the privatization, a balance of NIS 50,000 (gross) will accrue in respect of that employee. The total balance of the right accrued as aforesaid in respect of firsts generation founding and second generation founding employees who retire as aforesaid in each sector, will be distributed equally on the date of completion of privatization among all non-founding second generation employees in that sector who were employees of the Company on December 18, 2018 (the date of signing of the Agreement of Principles), and shall be paid in accordance with the terms set forth in relation to the payment of a "Second Transition Grant" in clause 9.3.2.8 of the 2005 Transition Agreement.

The dispute regarding the method of calculating the addition to the annuity was also finally settled, and the Histadrut undertook that it would not support claims against the Company, if any, the cause of which is directly or indirectly related to this dispute that was settled as stated in the reform agreement.

In connection with the transfer of the activities of the Marine Department to IPC, in August 2019 the Company signed a collective agreement with the IPC and with the employees' representatives to transfer the employees of the Marine Division to IPC, and in September 2020, the Company signed an agreement with IPC to transfer the activities of the Marine Department to IPC. According to these two agreements, employees of the Marine Division and other former company employees with the aforementioned characteristics who were transferred to IPC in connection with the transfer of the Marine Division's activity will be entitled to receive the benefit upon their transfer from IPC to a new subsidiary of IPC (hereinafter: “TIM”) that was established for the purpose of providing the services of the Marine Division. Therefore, the Company recorded an appropriate provision in its books in respect of this commitment.

Note 25 Commitments, contingent liabilities, guarantees and liens

B. **Contingent liabilities** (cont.)

3) Liabilities in respect of other lawsuits -

Financial demands and other lawsuits were filed against the Company totaling NIS 81,567 thousand. In the opinion of Company Management, based on the opinion of its legal counsel, there is no risk to the Company in respect of the aforementioned financial demands and legal claims.

The following are details of the financial demands and the other substantial legal claims:

a. Litigation with IPC

1. In September 2020, a land agreement was signed between the Company and IPC regulating the conditions under which IPC will provide the Port Company with real estate assets for the purpose of providing port services and/or for other uses permitted to the Company by virtue of the Writ of Authorization and the Shipping and Ports Authority Law, and the agreement also defined the responsibilities, rights and obligations of the Company deriving from the receipt of the aforementioned usage rights. In addition, on the same date, a compromise agreement was signed between the Company and IPC in connection with the arrangement of all of the financial disputes. As part of the Compromise Agreement, including an addendum to the Agreement, it was agreed that each party would withdraw its financial demands and/or legal claims in connection with such disputes. Accordingly, in 2020, the Company recorded an appropriate provision in its books for the amounts it undertook to pay in connection with the termination of the disputes as settled between the parties. In November 2020, the land agreement was approved by the responsible ministers. The compromise agreement for settling the disputes between the Company and IPC included reference to civil claim 16196-05-19 (usage fee file and a counterclaim regarding the participation of the Company in the Ministry of Defense's payments to IPC), including an appendix regarding the fixed royalties/usage fees at a rate of 4% to be paid to the State in respect of the revenues of IPC from white areas, and as part of which the payments that the Company would pay to IPC and the Ministry of Transport were arranged.

Note 25 Commitments, contingent liabilities, guarantees and liens

B. Contingent liabilities (cont.)

3) Liabilities in respect of other lawsuits (cont) –

a. Litigation with IPC (cont.)

1. (cont.)
   The compromise arrangement described in this appendix was subject to the approval of the Supreme Claims Committee at the Ministry of Finance. In January 2021, the Finance Ministry's Supreme Committee for Compromises rejected the arrangement and presented an alternative compromise. In May 2021, the Company rejected the aforementioned compromise offer and decided to continue conducting the legal proceedings. In light of this, the dispute over the Ministry of Transport's demand for payment of royalties/fixed usage fees and the dispute regarding the granting of land rights to the Ministry of Defense returned to the court for a decision. In March 2022, the Company's Board of Directors approved the directive of the Government Companies Authority in accordance with its authority under Article 59E of the Government Companies Law, and therefore, this year, the Company recorded an additional expense of NIS 23 million in its financial statements. In April 2022, the Company paid an amount of NIS 79 million, with an amount of NIS 40 million paid to the Ministry of Transport and an amount of NIS 39 million paid to IPC. Thus, the mutual legal claims between IPC and the Company in this regard were dismissed.

2. As part of the port reform in 2005, no mechanism was established for regulating the assets of port companies in the event that the authorization expires or ends at the end of the 49-year authorization. In March 2022, the Company's Board of Directors approved the agreement to transfer the Company's assets used for port operations, at the end of the authorization period, to the State or to a person the State instructs the Company to transfer them to. This agreement is part of the entire range of sales agreements in connection with the privatization of the Company. On January 10, 2023, the State signed the asset transfer agreement, which was attached as Appendix G to the Company's updated writ of authorization. According to the agreement, during the authorization period, the Company is required to submit annually to the manager of the Shipping and Port Authority a list of all the Company's assets that it held in the previous year, in which the changes that occurred in the position of assets during that year will be marked.

Note 25 Commitments, contingent liabilities, guarantees and liens

B. **Contingent liabilities (cont.)**

3) Liabilities in respect of other lawsuits (cont.) –

a. Litigation with IPC (cont.)

2. (cont.)
In addition, as of January 10, 2023 and for the duration of the authorization period, the Company is required to submit a written request to the Manager of the Shipping and Port Authority for any property for which the Company is interested in receiving a commitment from the State to purchase at the end of the authorization. The agreement stipulates that the State will pay the Company consideration for the transferred assets in the amount of up to NIS 400 million, while the State reserves its right to determine the equipment it wishes to purchase at the end of the authorization, as well as to change the list and increase the amount. The valuation of the assets on the approved list, which the State wishes to purchase, will be done by an appraiser on behalf of the State.

b. Letter of demand from the Israel Electric Corporation Ltd. (“IEC")

In 2010, the Company received a draft statement of claim of the Israel Electric Corporation for NIS 17 million against the Company and the Israel Ports Development and Properties Company Ltd. The basis of the draft claim was the IEC claim that negotiations conducted by it with the two companies for the purchase of land near the port, which were unsuccessful, caused it large expenses due to the assumption/promise that the land would be purchased by the companies. The IEC is suing for its investments in manpower and material due to the negotiations, which, as stated, were terminated through a notice given to it by the two companies. In 2016, IEC approached the Companies Authority with a request to settle a dispute and raised the amount of the claim to NIS 25 million. In 2022, the Company informed IEC that the procedural arrangement reached would not be able to remain in effect on the date of completion of the privatization. However, IEC replied to the Company that as far as the Company was concerned, the provisions of the arrangement would remain in effect even after the privatization was completed. As of the date of the financial statement, the claim has not been filed and on the face of it, it appears that the Company has no liability whatsoever for the alleged damages of IEC.
Under these circumstances, it is not possible to assess at this stage the existing risk, if any, in respect of this demand, and accordingly, no provision was included in the Company's financial statements.

Note 25 Commitments, contingent liabilities, guarantees and liens

B. **Contingent liabilities (cont.)**

3) Liabilities in respect of other lawsuits (cont.) –

c. A class action suit in respect of damages caused by sanctions and strikes

In August 2018, a request was filed in the Jerusalem District Court for a class action lawsuit against Haifa Port Company and Ashdod Port Company for damages caused by work disruptions, sanctions and strikes that have occurred at the ports in recent years. The statement of claim that was received did not mention a total amount, but Company Management believes that it is a substantial amount. In June 2020, the court rejected the motion. It should be noted that in July 2020, this decision was appealed to the Supreme Court. In the opinion of Company Management, based on the opinion of its legal counsel, in light of the rejection of the lawsuit in the District Court, the chances of the appeal being accepted are low. Accordingly, no provision was recorded in the Company's financial statements. In May 2022, the Supreme Court dismissed the appeal filed against the district court's decision to deny the motion for a class action.

d. Class Action regarding an extra 40% per day of rest-

In September 2022, the "Success for the Promotion of a Fair Society" movement filed a motion for approval of a class action lawsuit in the Haifa District Court against the Company. This is a lawsuit previously filed by MSC that was rejected by the court on the grounds that MSC has no standing as a plaintiff.
The request centers around the claim that the Company overcharged its customers for a number of years when they were charged extra for handling services on rest days, even when those services were not provided on rest days. The amount of the class action, if approved, is NIS 50 million. The Company is currently in a bridging process in connection with this lawsuit According to the assessment of the Company's legal counsel. An expense in the amount of the company's proposal was recorded in the company's books as of December 31, 2024.

Note 25 Commitments, contingent liabilities, guarantees and liens

B. **Contingent liabilities (cont.)**

3) Liabilities in respect of other lawsuits (cont.) –

e. Class action lawsuit for bodily injury to cancer patients-

In July 2019, the Company received a request for approval of a class action against the Company for bodily injury to cancer patients. The motion was filed against 30 entities operating in Haifa, including government companies, and including the Company. According to the assessment of the Company's legal counsel, it is not possible to assess the existing risk, if any, regarding this demand, and accordingly, a provision was not included in its financial statements.

f. A third party notice against the Company in connection with a class action lawsuit for bodily injury to cancer patients –

In October 2020, the Company received a warning prior to issuing a third-party notice against the Company in connection with the approval of another class action filed against a number of companies in Haifa Bay regarding damage caused by excess morbidity resulting from polluting activity of those companies. In accordance with the assessment of the Company's legal advisors, it is not possible to assess the existing risk, if any, in respect of this notice, and accordingly, the provision was not included in its financial statements.

g. In May 2021, the Company filed a financial claim against Noble Energy Mediterranean Limited and its ship agents, in the amount of NIS 77 million. As part of the lawsuit, the defendants were asked to pay the full port fees for unlawfully unloaded cargo. In August 2021, the defendants filed a counterclaim, seeking monetary relief of NIS 4 million, plus interest and linkage. According to the assessment of the Company's legal counsel, it is not possible to assess the chances of the claim and the counterclaim and, therefore, no asset has been recognized and no provision has been made in respect of this claim.

Note 25 Commitments, contingent liabilities, guarantees and liens

B. **Contingent liabilities (cont.)**

4) Other liabilities –

a. National Zoning Plan 13, Change 3/A - Approved Plan

In August 2007, National Zoning Plan 13, Change 3 came into effect. According to the plan, the western part of the port was rezoned from a port area to a municipal sea front, which includes residential, commercial, hotel, entertainment and passenger port construction. In January 2015, the National Planning and Building Council held a discussion on National Zoning Plan 13/3/A and set stages for evacuating the western part of the port from port activity, except for a passenger port. The National Council instructed that the provisions of the plan include the following stages:

"First phase – in the area from warehouse 15 (inclusive) to an old administration building (inclusive), including the roof of the passenger terminal: port uses will cease immediately upon approval of the detailed plan for the municipal sea front (TAMA 13/3/A); Second phase – in the areas from the administration building to the eastern plan boundary and in Area 607: gradual implementation of the detailed plan for a municipal sea front (TAMA 13/3/A) will be carried out, in coordination among the following entities: the Ministry of Transport, the Ministry of Finance, the Israel Ports Company, the Israel Land Authority and the Haifa Municipality, which will lead the coordination. It should be clarified that in any case, within 3 years from the date of approval of the plan, the port uses of this area will cease; in the remainder of the plan area it will be possible to continue port services for 5 years from the date of approval of the plan. The National Council may extend the period."

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Note 25 Commitments, contingent liabilities, guarantees and liens

B. **Contingent liabilities (cont.)**

4) Other liabilities (cont.)

a. National Zoning Plan 13, Change 3/A - Approved Plan (cont.)

In August 2016, the National Council for Planning and Building recommended that the government approve the plan with the aforementioned phased provisions.

In August 2017, the Housing Cabinet, by virtue of the government's authority under article 53 of the Planning and Building Law, decided to approve National Zoning Plan 13/3/A – Municipal Sea Front Development in Haifa. The plan was publicized in the Official Gazette and went into effect in October 2017. In October2017, an agreement of principles was signed between the Company and the State of Israel through the Ministry of Finance and the Israel Land Authority (ILA), and the Israel Ports Company and the Haifa Municipality and the Haifa Local Committee, which regulates the principles for the development and operation of commercial-civilian activities on the municipal sea front in the western part of the port, so that it will integrate with the continuation of port activity in accordance with the provisions of TAMA 13/3/A. In accordance with the provisions of the Agreement of Principles, a joint administration of the Company and the Haifa Municipality will be established, which will be responsible for promoting the implementation of the plan. The Company moved two coastal cranes (jib) to the eastern pier. As part of the September 2020 land agreement between the Company and IPC, it was agreed, *inter alia*, that the regulation of the sea front area, as this term is defined in TAMA 13/3/A, will be done as part of a separate agreement, insofar as it is not regulated within the framework of the land agreement, which will be consistent with the provisions of the TAMA, the writ of authorization of the Company and the land agreement.

Note 25 Commitments, contingent liabilities, guarantees and liens

B. **Contingent liabilities (cont.)**

4) Other liabilities (cont.)

a. National Zoning Plan 13, Change 3/A - Approved Plan (cont.)

During 2021, negotiations were conducted, led by the Government Companies Authority, between the Company and IPC, the Israel Land Authority and the Haifa Municipality regarding the signing of a detailed agreement that will regulate the development aspects of the municipal sea front project, including the residential lot (Area 607 according to the plan), in accordance with the Agreement of Principles (the "Square Agreement"). See also Note 12

In September 2022, the National Planning and Building Council approved the continued use of the area, marked as the third phase of the plan, for activities permitted therein, for an additional three years. The Company is examining the possibility of relocating the cranes to another operational dock.

Pursuant to the stipulations of the agreement, without the signing of all of the parties, the agreement is invalid. During December 2024, the Haifa Municipality signed an agreement for the establishment of the joint administration of the management of the sea front. The Company has not yet signed this agreement.

b. Purchase tax liability -

Article 9(b) of the Shipping and Ports Authority Law, 5764-2004 (hereinafter: the "Law") stipulates, *inter alia*, that IPC will make the transferred land, as defined in the Law, available for the use of the port companies. According to a legal opinion received by the Company, no "sale" took place, and in any case, the Company did not acquire, within the framework of the legislation relating to the reform of Israel's ports of 2005, including the interim agreement, a right in real estate in accordance with the Real Estate Tax Law, which requires reporting to the tax authorities and payment of purchase tax for it.

Note 25 Commitments, contingent liabilities, guarantees and liens

B. **Contingent liabilities (cont.)**

4) Other liabilities (cont.)

c. Municipal real estate tax assessment of Kishon East-

During 2022, the Company received an increased municipal real estate tax assessment for operating areas in Kishon East. The amount of the charge is NIS 7.8 million per annum, compared with NIS 1.3 million per annum, which the Company was charged pursuant to an agreement signed with the Haifa Municipality. The Company filed an objection in respect of the increased charge, which was rejected by the city. The Company, through its legal counsel, filed an appeal against the municipality's decision. As of the date of approval of the financial statement, no date has been set for a meeting of the hearing of the evidenciary stage of the appeals committee.

During the reporting period, a compromise agreement was signed between the Company and the Haifa Municipality's property tax manager regarding the Kishon Mizrahi property tax assessment. The parties agreed that the payment of property tax for the period from January 2022 to December 2024 would be NIS 9.5 million. As of the date of signing the compromise agreement, the Company had paid NIS 3.6 million for the operating areas in Kishon Mizrahi. The remaining amount, NIS 5.9 million, was paid in December 2024.

C. Guarantees

1) The Company periodically and in the ordinary course of business provides guarantees for various needs in immaterial amounts.
2) Upon completion of the privatization, the Company provided two guarantees totaling NIS 30 million:
   I) NIS 20 million for the Israel Ports Company in respect of the land agreement.
   II) NIS 10 million for the Ministry of Transport and Road Safety for the writ of authorization.

d. Liens

In January 2020, a special collective agreement was signed (regarding the Haifa Port reform). In Chapter E of this agreement, the Company agreed that the Company's rights in a number of designated bank accounts for financing the retirement terms of the Company's employees shall be pledged in favor of the employees' representatives to ensure the Company's liabilities, in a lien that shall in any case be limited to the total actuarial liability of the Company towards transferring employees as the term is defined in the Agreements.

Note 26 Related Parties

Until the date of privatization of the Company on January 10, 2023, the State of Israel and companies and institutions under its control (including government companies, authorities and ministries, as well as other corporations in which the government has a certain ownership rate) constituted related parties in the Company. Payments to the State and its authorities as sovereign, i.e. payments according to law such as taxes and fees, are not, in the Company's opinion, defined as transactions with related parties.

a. Balances with related parties

	As of December 31, 2024	As of December 31, 2023
	Thousands of NIS	Thousands of NIS
Dividend payable – International Mediterranean Sea Ports A.D.G.D Ltd.	(55,000)	(142,000)
Customer – Gadot Chemical Terminals (1985) Ltd.	22	2
Customer – Adani Israel	51	-
Gadot Storage and Handling	(25)	1

b. Transactions with related parties

	Year ended December 31, 2024	Year ended December 31, 2023
	Thousands of NIS	Thousands of NIS
Income (expenses) from other services	(202)	107
Participation in payroll expenses	146	-

Note 27 Material events in the reporting period

A. On January 10, 2023, the privatization process of the Company and its sale to the "ADANI Gadot" group was completed for a total of NIS 4.1 billion, of which NIS 1 billion was invested in the Company (against the issuance of shares) for infrastructure development and other needs, and the balance was transferred to the State of Israel.

Upon completion of the privatization, the Company is incorporated as a private company held 100% by Mediterranean Ports International A.D.G.D. Ltd. (hereinafter: the "Parent Company").

As part of the completion process, a series of actions were carried out, and among other things, the government delivered to the purchaser a share transfer deed in the name of the purchaser in respect of 1,000 shares of par value NIS 1 each, constituting 100% of the issued and outstanding share capital of the Company, prior to privatization. In addition, the Company allotted to the purchaser 330 ordinary shares of NIS 1 par value each of the Company. Following the above allotment, the issued share capital of the Company amounts to 1,330 ordinary shares par value NIS 1 each.
This completed a long and complex process of privatization of the company in accordance with the decision of the Ministerial Committee on Privatization from January 2020. Upon completion of privatization, there are additional arrangements that apply to the company going forward.

The following is a summary of the major arrangements:

1) Distribution
In the period between the date of completion of the privatization and the date of completion of the investment commitment, the Company shall be entitled to make a distribution, within the meaning of the Companies Law, whether directly or indirectly, only out of the profits accrued from the date of the last reviewed or audited financial statement of the Company (quarterly or annual), approved prior to the date of completion of the privatization. "Distribution" in this regard, is within the meaning of the Companies Law, 5759-1999, as well as the granting of a loan to shareholders of the Company or its interested parties.

2) Revised writ of authorization
The Company was provided with a revised writ of authorization which went into effect upon the completion of the privatization. See also Note 27(b).

3) Designation of the investment amount
An agreement was signed between the Company and the State regarding the designation of the investment amount. Among other things, it was determined that the investment amount will be deposited directly into a designated account of the Company, and in this account the Company will not do any other activity except as described below: NIS 400 million of the investment amount will be earmarked for the development of port

Note 27 Material events in the reporting period (cont.)

A. (cont.)

infrastructure and equipment, including the execution of the investment plan in the Company's infrastructure in accordance with the infrastructure appendix to the land agreement, subject to these investments being recognized as investments in fixed assets according to generally accepted accounting principles. An additional NIS 200 million of the investment was earmarked for the implementation of new retirement plans for the Company's employees. These amounts were deposited in accounts bearing annual interest at a rate of 4.45%.

The remainder of the investment amount will be used by the Company to make investments in infrastructure and equipment in accordance with the Company's needs, as well as for additional uses for the purpose of port operations, including for executing retirement plans for the Company's employees, all subject to the use of these amounts for uses with positive present value in order to improve the Company's financial fortitude, in accordance with the decision of the Company's Board of Directors. The agreement sets out provisions regarding control of the designated account and the use of the investment amount.

B. Updating the writ of authorization - in February 2021, the Minister of Transportation and Road Safety signed an updated writ of authorization, which would go into effect only subject to the completion of the privatization process and the sale of all State shares to a private investor. Upon the completion of the privatization, an additional update of the Company's writ of authorization went into effect, as part of which the Company was given authority to provide additional services, logistics services and complementary collaborations to its activities as a government company, including the development of the municipal sea front in all matters related to leisure and vacation. The updated writ of authorization was signed by the Minister of Finance and the Minister of Transportation and Road Safety.

C. In March 2022, the Company's Board of Directors approved the agreement to transfer Company assets used for port operations, at the end of the authorization period, to the State or to a person that the State instructs the Company. This agreement is part of the entire gamut of sale agreements in connection with the privatization of the Company. On January 10, 2023, the State signed the asset transfer agreement, and it was attached as Appendix G to the Company's updated writ of authorization. According to the agreement, during the authorization period, the Company is required to submit annually to the Director of the Shipping and Ports Authority a list of all the assets that were in the Company’s possession in the previous year, in which the changes that occurred in the inventory of assets during that year would be marked. In addition, as of January10, 2023 and for the duration of the authorization period, the Company is required to submit a written request to the Director of the Shipping and Ports Authority regarding any asset in respect of which the Company is interested in receiving a commitment from the State to purchase at the end of the authorization period.

Note 27 Material events in the reporting period (cont.)

C. (cont.)

The agreement stipulates that the State will pay the Company consideration for the transferred assets in the amount of up to NIS 400 million, while the State reserves its right to determine the equipment it wishes to purchase at the end of the authorization period, as well as to change the list and increase the amount. The valuation of the assets on the approved list, which the State wishes to purchase, will be performed by an appraiser on behalf of the State.

D. During the course 2023, the Company decided to reduce the inherent risk in the treatment of its cash and financial assets. Therefore, most of the cash and financial assets in its possession were invested solely in deposits in high rated government bonds and corporate bonds. Previously, funds were also invested in shares and corporate bonds (including in those that were rated lower).

The Company believes that this change will have an impact on the financing component, whereby the inherent risk in the past in shares and corporate bonds that are not highly rated will be totally cancelled versus the expected fixed yield from the shekel deposits and the high yield government and corporate bonds.

E. Upon completion of the privatization, as part of the January 2023 salary, the second installment of the bonus in respect of the 2018 profits was paid, which constitutes the remaining third of the total bonus.

F. Upon completion of the privatization, first- and second-generation founding employees are entitled to a 4.31% salary shifting increase, which is to be paid to them starting from their January 2023 salary.

G. Upon completion of the privatization, the January 2023 salary included a second transition grant to which first and second generation founding employees are entitled, in an amount of NIS 50 thousand. The aggregate of this grant amounted to NIS 25 million.

H. Upon completion of the privatization, the March 2023 salary included an additional compensation for privatization which was paid to eligible employees, in an aggregate amount of NIS 105 million.

I. In April 2023, the State transferred its share of the agreement for the Company's eligible employees, in an amount of NIS 77 million. In August 2023, the State of Israel transferred an additional amount of NIS 10.3 million, representing its share in the agreement in respect of the eligible employees of the Marine Department, thereby reducing the liability in respect of privatization grants against a capital reserve.

Note 27 Material events in the reporting period (cont.)

J. Pursuant to Section 4(a) of the Supervision of Prices of Goods and Services (Port Services) Order, 5770-2010 (hereinafter: the “Order”), the maximum prices in the Order will change on January 1 of each year by adjusting the rate of change in the updated indices as of the December 15 preceding the date of change compared to the base index (hereinafter: the “weighted index”).

In addition the Order stipulated that, pursuant to section 4(d) and without derogating from the provisions of subparagraph (a), that if there is a change in the weighted index by more than 3.5%, the weighted index shall be updated in accordance with the provisions of subparagraph (a), and that the maximum prices according to the order shall be updated accordingly.

As a result of the increase in the weighted index by 3.592% in the first nine months of 2024, the weighted index as of October 1, 2024 was updated and was set at the rate of 32.12% (vs. 27.54% as of January 1, 2024). According to article 56 (b) of the Order, the maximum price of handling services was set to 20.69% (vs. 16.51% as of January 1, 2024).

The Company commenced implementing the aforementioned price revision as of October 1, 2024 for all of its customers.

K. During 2021, a current VAT audit was conducted in respect of the years 2017 – 2021 inclusive, at the end of which the Company was issued a total assessment in an amount of NIS 9.6 million, of which an amount of NIS 7.5 million is a transaction assessment in respect of the activity relating to the storage of empty containers in the area of the port. The Company has many legal claims against the assessment that was issued and it filed through the offices of its legal counsel an appeal against the assessment. In August 2022, a reply to the appeal was received from the VAT Authority whereby the lion’s share of the assessment in respect of the empty containers was cancelled. The Company continued its appeal process on additional parts of the assessment under dispute. In January 2023, a compromise agreement was signed between the Company and the VAT Authority in an amount of NIS 200 thousand to settle the assessment.

L. Pursuant to the provisions of the extraordinary collective agreements in connection with the transfer of the Marine Division dated August 27, 2019 among Israel Ports Company, the Histadrut and the Company, and in accordance with the provisions of the agreement pertaining to the transfer of the activity of the Marine Department of the Company to IPC on September 17, 2020, during the month of September 2023, an amount of NIS 3.5 million was paid to IPC as “compensation in respect of a change in structure in connection with the privatization”.

Note 27 Material events in the reporting period (cont.)

M. Pursuant to the extraordinary collective agreements, dated August 27, 2019, regarding the transfer of the Maritime Division among IPC, the Histadrut and the Company, and pursuant to the provisions of the agreement regarding the transfer of the maritime division of Haifa Port Company to IPC on September 17, 2020, during the month of September 2023, IPC was paid a "Remuneration of the Structural Change in connection with the Privatization" in an amount of NIS 3.5 million.

During December 2023, Company Management signed a voluntary retirement plan with the various employee committees in connection with the second generation employees. According to the plan, and until the end of January 2024, Company Management has sole discretion, whether to approve the employee's retirement in the face of the Company's needs.

N. An employee whose request is approved by Company Management will receive a one-time grant in the amount of 48 salaries, where 47 salaries will be paid to the employee and the last payment in a fixed amount of NIS 35 thousand will be transferred to the various employee union funds. The primary retirement date ended during the first six months of the year, while some of the employees retired gradually by December 2024.

By the end of January 2024, Company Management approved 44 employees who signed the voluntary retirement plan, and expressed their desire to leave the Company under the proposed conditions. In respect of the aforementioned employees, the Company recorded retirement expenses in a total amount of approximately NIS 63 million. A total of NIS 3.4 million was recorded in 2023. See note 16(g).

O. During April 2024, the Company was informed that as part of an outline formulated by the Ministries of Transport and Finance (hereinafter: the "Government Ministries") for regulating the ports industry in the State of Israel, they intend on granting leniencies to ports that compete directly with the Company, in order to expand competition in Israeli ports. The Company is in contact with government ministries and the Histadrut in order to find a solution that will minimize the risks to the Company as a result of the regulation; This includes an intention to expand the Company's authorization in such a way as to provide competitive leniencies and the possibility of entering additional areas of activity.

P. During the month of November 2024, the construction and development plans of the passenger terminal were approved by the Haifa Municipality's Local Planning and Building Committee. During the month of December 2024, final approval was received from the District Committee.

On December 28, 2023, the Company's board of directors resolved to distribute a dividend of NIS 142 million to the parent company. On January 2, 2024, the dividend was paid to the Company's shareholders.

On March 5, 2024, the Company's board of directors resolved to distribute a dividend of NIS 10 million to the parent company. On March 6, 2024, the dividend was paid to the Company's shareholders.

Note 27 Material events in the reporting period (cont.)

Q. On November 21, 2024, the company's board of directors decided to distribute a dividend of NIS 55 million to the parent company. On January 5, 2025, the dividend was paid to the company's shareholders.

Note 28 Material subsequent events

A. On February 18, 2025, the Board of Directors resolved to distribute a dividend in an amount of NIS 58 million to the Parent Company.

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