Delek Group

FINANCIAL STATEMENTS

UNAUDITED

AS OF MARCH 31, 2021

IMPORTANT

This document is an unofficial translation for convenience only of the Hebrew original of the March 31, 2021 financial report of Delek Group Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on May 31, 2021.

The Hebrew version submitted to the TASE and the Israeli Securities Authority shall be the sole binding legal version.

FINANCIAL STATEMENTS

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Delek Group

Chapter A

Corporate Description

Update of Chapter A (Description of the Company's Business) to the 2020 Periodic Report[1] of the Delek Group Ltd. ("the Company")

Part One – Description of the General Development of the Company's Business:

A. Referring to Section 1.2 to the Periodic Report - the Group's Operating Segments

For information concerning an investor presentation on the publication of the annual financial statements for 2020, see the Company's immediate report of March 31, 2021 (ref. no. 2021-01-052383), included herein by way of reference.

B. Referring to Section 1.3 of the Periodic Report - Investments in Company Equity

1. On April 7, 2021, the Company offered to the public, by way of a shelf offering, up to 63,400 ordinary shares in the Company ("the Offered Securities"). Based on the results of the tender for purchasing the Offered Securities, the Company issued all of the Offered Securities for a total (gross) consideration of NIS 10 million. For more information, see the Company's immediate reports of April 7, 2021 (ref. no. 2021-01-058080) and April 8, 2021 (ref. no. 2021-01-059871), included here by way of reference.

2. For information concerning the exercise of warrants (Series 10) and warrants (Series 12) into Company shares, and concerning the expiration of warrants (Series 10), see the Company's immediate reports of April 4, 2021 (ref. no. 2021-01-054354), included here by way of reference.

3. For information concerning share transactions by the Company's principal shareholders, see the Company's immediate reports of April 4, 2021 (ref. no. 2021-01-054369) and April 8, 2021 (ref. no. 2021-01-060117), included here by way of reference.

4. On May 24, 2021, the Company announced that the period for offering securities under the Company's shelf prospectus would be extended until May 30, 2022. For more information, see the Company's immediate report of May 24, 2021 (ref. no. 2021-01-029695), included herein by way of reference.

C. Referring to Section 1.6.6(h) to the Periodic Report - Economic Conditions and Impact of External Factors and Section 1.16 to the Periodic Report - Financing

1. On May 13, 2021, Ithaca Energy Limited ("Ithaca") announced a dividend payout of USD 15 million to a Company subsidiary holding all of Ithaca's share capital. For more information, see the Company's immediate report of May 13, 2021 (ref. no. 2021-01-084939), included here by way of reference.

2. On April 13, 2021, the Company announced that it had contacted the trustees for the Company's debenture-holders, to update the amended deed of trust of June 17, 2020 ("the Amended Deed"), such that the review date for the Company's rating specified in the Amended Deed would be updated so that at the end of the agreed period, as defined in the Amended Deed, i.e. - from June 1, 2021, the Company's debentures must meet a minimum rating of (BBB-) as rated by Maalot. For more information, see the Company's immediate report of April 13, 2021 (ref. no. 2021-01-063060), included here by way of reference. Once the Company and the trustees reached agreements concerning the Amended Deed, on May 20, 2021 the trustees for the debentures summoned a general meeting to approve the aforesaid. On May 30, 2021, the debenture holders of all the series approved the amendment to the deed of trust. For more information, see the Company's immediate report of May 30, 2021 (ref. no. 2021-01-092382), included here by way of reference.

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[1] The update contains material changes or developments in the Company's business from the publication date of the periodic report for 2020 as published on March 31, 2021 (ref. no. 2021-01-052227) ("the Periodic Report") and up to immediately prior to the date of this report, in any matter requiring disclosure in the Periodic Report. The updated refers to the section numbers in Chapter A (Description of the Corporation's Business) of the Periodic Report, and supplements the content disclosed therein.

3. For information concerning the status of the Company's obligations to create and register liens under the Amended Deed, see the Company's immediate report of May 23, 2021 (ref. no. 2021-01-088428), included here by way of reference.

Part Three – Description of the Company's Business by Operating Segment:

A. Energy Operations in Israel

1. Referring to Section 1.7.4(d) to the Periodic Report - Planned Work Plan for the Leviathan Project

In light of production volumes from the Leviathan Reservoir and demand in the first quarter of 2021, and in order to improve redundancy in the production system, the operator, Noble Energy Mediterranean Ltd. ("Noble") recommended that the partners advance the drilling of another production well. This well was originally planned to be drilled in subsequent years, but the operator recommended it be drilled in 2022. As of the reporting date, the Leviathan partners approved a budget of USD 14 million (100%) for initial equipment purchases.

2. Referring to Section 1.7.5 to the Periodic Report - the Tamar and Dalit Project, and Section 1.7.33(EE) - Security Risks

For information concerning the suspension of natural gas production in the Tamar Reservoir due to security concerns and its subsequent resumption, see the Company's immediate reports of May 12, 2021 (ref. no. 2021-01-084627) and May 23, 2021 (ref. no. 2021-01-088059), included herein by way of reference. During the suspension of operations in Tamar, natural gas was supplied to the Tamar Reservoir's domestic customers through the Leviathan Reservoir. It is noted that, in light of said security concerns, the supply of gas to Egypt was also temporarily suspended, and subsequently resumed once the security concerns abated.

3. Sections 1.7.7, and 1.7.29(p) to the Periodic Report - 405/Ofek Hadash License ("Ofek Hadash License")

The operator in the Ofek Hadash License notified Delek Drilling Limited Partnership ("the Partnership") that ,on May 4, 2021, approval had been received from the Ministry of Energy Oil Commissioner ("the Commissioner") extending the Ofek Hadash License until June 20, 2022. Approval was also received for changing the milestone dates for the Ofek Hadash License work plan, including postponement of production testing to June 1, 2021. On May 27, 2021, the operator in the Ofek Hadash License submitted an application to the Commissioner to postpone production tests in the license.

4. Sections 1.7.8, and 1.7.29(p) to the Periodic Report - 406/Yahel Hadash License ("Yahel Hadash License")

The operator in the Yahel Hadash License notified the Partnership that, on May 4, 2021, the Commissioner's approval had been received, extending the Yahel Hadash License until June 20, 2022.

5. Referring to Section 1.7.13(d)(1)f.4 to the Periodic Report - Withdrawal of Veto Right over Marketing Decisions; Balancing Agreement for Gas Produced from the Tamar Reservoir and Settlement Agreement between the Tamar Partners and Israel Electric Corporation Ltd. ("IEC").

A. The deadline for meeting the pre-condition concerning the coming into force of the consensual decree between Noble and the Israel Competition Authority, under Section 50B to the Economic Competition Law, 1988, in the settlement agreements between the Tamar partners and IEC and between the Leviathan Partners and IEC, was extended to May 31, 2021.

B. For information concerning an in-house assessment by the parties to the balancing agreement, in accordance with the Israel Competition Authority's instructions and the balancing agreement coming into force on May 11, 2021, see the Company's immediate report of May 26, 2021 (ref. no. 2021-01-090459), included herein by way of reference.

6. Referring to Section 1.7.22 to the Periodic Report - Financing

A. <u>Debentures issued by Delek and Avner (Tamar Bond) Ltd. ("Tamar Bond Debentures")</u>

On May 12, 2021, Midroog affirmed its Aa2.il rating, with a negative outlook, for the Tamar Bond Debentures.

B. The Partnership's Debentures (Series 1) ("Debentures (Series 1)")

Following on Section 1.7.22(e) to the Periodic Report, it is noted that the Partnership complied with the financial covenants undertaken in the issue of the Series 1 Debentures to the public, as detailed in Section 1.7.22(l)to the Periodic Report, as follows:[2]

Financial Covenant	Examined ratio as of March 31, 2021 and the reporting date
Partnership's economic capital	3,584
Economic capital to debt ratio	9
Distribution	-

7. Referring to Section 1.7.25 of the Periodic Report, concerning restrictions and supervision of the Partnerships' operations

A. For information concerning the Partnership signing a non-binding memorandum of understanding with investors headed by Mubadala Petroleum (in this Section - "the MOU" and "the Buyers") to sell it's 22% stake in the Tamar Project to a company owned by the Buyers, see the Company's immediate report of April 26, 2021 (ref. no. 2021-01-070407), included herein by way of reference. As of the reporting date, the parties to the MOU are continuing to work towards signing a binding agreement in the coming weeks.

B. For information concerning the Partnership's agreement with a third party to sell all of its holdings (22.6%) in Tamar Petroleum Ltd. ("Tamar Petroleum") in an off-TASE transaction, see the Company's immediate report of April 28, 2021 (ref. no. 2021-01-072573), included herein by way of reference. It is noted that, on May 5, 2021, the transaction for selling Tamar Petroleum's shares was completed as aforesaid, and the shares were transferred against payment of the consideration.

C. Referring to Section 1.7.28(g) to the Periodic Report, concerning a government decision entitled 'Promoting Renewable Energy in Israel's Electricity Market and Amendment of Government Decisions' ("the Government Decision"), and the Ministry of Energy's announcement of November 2018, together with the Planning Administration, to promote a comprehensive national zoning plan for electrical infrastructure ("National Zoning Plan 41" or "the Plan"), whose principal goals are to designate areas for renewable power generation sites and creating a uniform planning framework for generating and storing electricity from diverse sources and varied technologies - It is noted that, on May 4, 2021, National Zoning Plan 41 was approved as a comprehensive infrastructure plan meeting the needs of the Israeli economy for 2030 and 2050. The Plan refers to the mix of energy sources, means of power generation, and to assuring redundancy and reliability in supply and integrating large-scale energy storage solutions. The Plan implements the Government Decision and lays out principals for planning energy infrastructure. The Plan consolidates the various national zoning plans dealing with electricity, natural gas and fuels, designates areas for renewable power generation sites, and allocates corridors for power transmission and energy infrastructure.

D. Following on Section 7.23.5(h) to the Periodic Report, concerning targets for Israel's energy industry for 2050 - It is noted that, on April 18, 2021, the Ministry of Energy issued a plan for the energy industry to meet emission-reduction targets for 2050, as part of Israel's and additional countries' efforts to address climate change. These targets call for an 80% reduction in greenhouse gas emissions by 2050, and several secondary targets. These latter targets include a commitment to shut down coal plants by 2025, lower the power generation sector's greenhouse gas emissions by 75%-85% by 2050, and achieve a 1.3% annual improvement in energy intensity (energy consumption per unit of GDP).

8. Referring to Section 1.7.30 to the Periodic Report - Legal Actions

A. Following on Note 24A3(3) to the Company's annual financial statements, in Chapter C to the Periodic Report, concerning a statement of claim filed by the Commissioner against the Partnership, the general partner in the Partnership, and the royalty-holders (which include the Delek Group Ltd., Delek Energy Systems Ltd., and Delek Royalties (2012) Ltd., and a counter-statement of claim filed

[2] For information concerning measurement methods for the terms presented in the table, see Section 1.7.22(l)(1) to the Periodic Report:

by the royalty-holders, in connection with the investment recovery date in the Tamar Project - It is noted that, on March 17, 2021, an evidence in chief affidavit was and supplementary economic opinion were submitted on the Partnership's behalf. Furthermore, on April 5, 2021, a pre-trial hearing was held in which it was suggested that the parties pursue mediation. As the parties agreed that former Justice Yoram Danziger would serve as mediator, the court instructed the parties to update on their mediation proceedings. Should mediation succeed, the evidence hearings would be rendered redundant.

B. On April 21, 2021, the Israel Union for Environmental Defense (in this section - "the Petitioner") filed an administrative petition with the Jerusalem District Court (sitting as an administrative court) against the Israel Tax Authority, the Israel Tax Authority's officer charged with implementing the Freedom of Information Law, Noble, the Partnership, Ratio Oil Exploration (1992) Limited Partnership, Givot Olam Oil Exploration Limited Partnership (1993), ICL Group Ltd., Dead Sea Works Ltd., and Rotem Amfert Negev Ltd. (in this section - "the Original Petition Respondents"). In the petition, the court was asked to order the Israel Tax Authority to provide the Petitioner with information concerning inflows from State revenues from national natural resources, along with general information about reports received by the Israel Tax Authority and the handling of such reports since the enactment of the Taxation of Profits from Natural Resources Law, 2011. According to the petition, it was filed after the Israel Tax Authority's refusal in March 2021 to grant a freedom of information request submitted by the Petitioner, in which the Israel Tax Authority was asked to provide said information. On May 6, 2021, after obtaining the court's permission, the Petitioner filed an amended petition adding to the Original Petition Respondents all partners in the Tamar Project which were not mentioned in the original petition (in this section, jointly with the Original Petition Respondents - "the Respondents").

C. On April 7, 2021, the Partnership together with the other Tamar partners and Leviathan partners, filed a petition against the Natural Gas Council and the Ministry of Energy (in this section - "the Other Respondents"). The petition asks to annul the Natural Gas Council (in this section - "the Council") decision 5/2020 of December 29, 2020 - Amendment to Council Decision 8/2019 - Criteria and Rates for Operating a Pipeline under a Flow Control Regime (Amendment 2), as published on January 3, 2021 (in this section - "the Decision"). The Decision states that natural gas suppliers will bear the cost of half of the "reasonable measurement gap", which the Decision defines as a gap of up to 0.5% between the gas quantity measured at the entrance to the national gas pipeline, and the quantity measured at the exit from the national gas pipeline. The petition argues that the Decision was issued without legal authority, and extremely unreasonable.

9. Referring to Sections 1.7.31 and 1.20.3 to the Periodic Report - Goals and Business Strategy

Following on Sections 1.7.31 and 1.20.3 to the Periodic Report, concerning efforts to potentially list the Partnership's primary assets for trading on a foreign exchange - It is noted that, on May 4, 2021, the general partner and the limited partner ("the Applicants") submitted an application to the court under Sections 350 and 351 to the Companies Law, 1999, to approve the summons of a general meeting of holders of the Partnership's participation units, to approve an arrangement which primarily swaps participation units for ordinary shares in a new company incorporated in England (New Med Energy Plc.) ("the Arrangement" and/or "the Application"). For more information, see the Company's immediate report of May 4, 2021 (ref. no. 2021-01-077331), included herein by way of reference. Following on said Application, objections were submitted on behalf of the participation unit holders, the TASE, and the Israel Securities Authority. Once the deadline for submitting objections had passed, on May 25, 2021 the court decided that a pre-trial hearing would take place on June 16, 2021 to hear the objections to the Application. The Applicants may submit their written response to the parties' statements by June 9, 2021. As of the reporting date, the Partnership is continuing to work towards approving the Arrangement. It is clarified that, as of the reporting date, there is no certainty as to when the Arrangement will be approved, if at all, or that all the necessary approvals will be obtained.

10. Natural Gas and condensate production data from the Tamar Project for the first quarter of 2021:[3][4]

	Q1	
	Natural gas	Condensate

[3] Share of output, royalties, production costs and net proceeds attributable to holders of the Company's equity rights rounded to two decimal digits.

[4] Production data are based on the Partnership's direct holdings in the Tamar Project, of 22%.

Total output (attributable to equity holders of the Partnership) for the period (in MMCF for natural gas and MBBL for condensate)		7,348	9.9
Average price per output unit (attributable to equity holders of the Partnership) (USD per MCF and BBL)[5]		4.59	50.26
Average royalties (any payment derived from the output of the producing asset, including the gross income from the oil asset) paid per output unit (attributable to equity holders of the Partnership) (USD per MCF and BBL)	The State	0.49	5.3
	Third parties	0.39	4.1
	Principal shareholders	-	-
Average production costs per output unit (attributable to equity holders of the Partnership) (USD per MCF and BBL)[6]		0.73	3.98
Average proceeds from royalties (all proceeds derived from the producing asset's output including gross revenue from the oil asset) per output unit (Company's share)(USD per MCF)		-	-
Average net proceeds per output unit (attributable to equity holders of the Partnership) (USD per MCF and BBL)		2.98	36.88

11. Natural Gas and condensate production data from the Leviathan Project for the first quarter of 2021:[7][8]

		Q1
		Natural gas
Total output (attributable to equity holders of the Partnership) for the period (in MMCF for natural gas and MBBL for condensate)		23,762
Average price per output unit (attributable to equity holders of the Partnership) (USD per MCF and BBL)		4.98
Average royalties (any payment derived from the output of the producing asset, including the gross income from the oil asset) paid per output unit (attributable to equity holders of the Partnership) (USD per MCF and BBL)	The State	0.54
	Third parties	0.13
	Principal shareholders	0.07
Average proceeds from royalties (all proceeds derived from the production asset's output including gross revenue from the oil asset) per output unit (Company's share)(USD per MCF)		0.12
Average production costs per output unit (attributable to equity holders of the Partnership) (USD per MCF and BBL)[9][10]		0.61
Average net proceeds per output unit (attributable to equity holders of the Partnership) (USD per MCF and BBL)		3.75

5 The average price per output unit accounts for the Partnership's actual price including the framework for natural gas sales between the Tamar Project and the Yam Tethys Project. For more information, see Section 1.7.9 and Note 24A2(3) to the Company's annual financial statements, in Chapter C of the Periodic Report.

6 Data only include current production costs, and do not include the reservoir's exploration and development costs or the Company's future tax payments.

7 The data in the table concerning the percentage attributable to holders of the Company's equity rights in the average cost per output unit, royalties, production costs and net proceeds have been rounded to two decimal digits.

8 As the overall cost of condensate production in the first quarter of 2021 exceeded the overall revenue from such condensate, and as condensate is a by-product of natural gas production, the table does not present separate date for condensate production. All costs and expenses associated with condensate production were attributed to natural gas production.

9 It is emphasized that the average production costs per output unit only include current production costs and do not include reservoir exploration and development costs or the Company's future tax payments.

10 It is noted that the average production costs per output unit include natural gas transmission costs using INGL's pipeline to EMG's connection point in Ashkelon for supplying gas to Egypt. In the first quarter of 2021, these costs totaled USD 12.5 million (100%).

B. Energy operations abroad

1. Referring to Section 1.8.1(e) to the Periodic Report -

For information concerning the decision to perform exploration drilling in the oil asset on the P2373 license adjacent to the Alba Reservoir in the North Sea, see the Company's immediate report of April 19, 2021 (ref. no. 2021-01-065262), included herein by way of reference.

2. Referring to Section 1.8.18(b) to the Periodic Report -

A. Following on Section b1 above, concerning a dividend payment by Ithaca - It is noted that the dividend was paid out after Ithaca completed the periodic redetermination process for its RBL facility, as obtained from a consortium of international banks.

B. As of March 31, 2021, and the report's approval date, Ithaca complied with the covenants set forth in the RBL facility's agreements, as follows:

1. Overall sources exceed overall uses for the next 12 months. Liquidity testing was performed prior to the dividend distribution detailed in the immediate report of May 13, 2021. The details of this test can be found in Part 1, Section c3 above.

2. The ratio between the net present value of guaranteed cash flows under the RBL facility over the projects' lifetimes, and the amount withdrawn from the RBL facility will not fall below 1:1.15. As of March 31, 2021, this ratio stood at 1.88. As of the report's approval date, the ratio stood at 1.99.

3. The ratio between the net present value of guaranteed cash flows under the RBL facility over the RBL facility's lifetime, and the amount withdrawn from the RBL facility will not fall below 1:1.05. As of March 31, 2021, this ratio stood at 1.77. As of the report's approval date, the ratio stood at 1.87.

3. Production data for Ithaca's producing oil assets:

A. Production data attributable to the Company's share in Captain-area assets for the first quarter of 2021:

	Q1		
	Oil	Natural gas	Condensate
Total output in the period	1,801,559 bbl	-	-
Average price per output unit (attributable to equity holders of the Company) (USD per boe)	58.0	-	-
Average production costs per output unit (USD per boe)	17.1	-	-
Average net proceeds per output unit (USD per boe)	41.0	-	-

B. Production data attributable to the Company's share in the GSA Project for the first quarter of 2021:

	Q1		
	Oil	Natural gas	Condensate
Total output in the period	364,950 bbl	3,498 mcf	131,651 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per boe)	64.50	37.2	44.5
Average royalties to third parties (any payment derived from the output of the producing asset, including the gross income from the oil asset) paid per output unit (attributable to equity holders of the Company) (USD per boe)	0.8	0.8	0.8
Average production costs per output unit (USD per boe)	11.1	11.1	11.1

Average net proceeds per output unit (USD per boe)	52.6	25.2	32.6

C. Production data attributable to the Company's share in Ithaca-operated assets for the first quarter of 2021:

	Q1		
	Oil	**Natural gas**	**Condensate**
Total output in the period	650,680 bbl	4,264 mcf	61,819 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per boe)	64.5	39.8	47.7
Average production costs per output unit (USD per boe)	19.4	19.4	19.4
Average net proceeds per output unit (USD per boe)	45.1	20.4	28.2

D. Production data attributable to the Company's share in Ithaca's other active oil assets for the first quarter of 2021:

	Q1		
	Oil	**Natural gas**	**Condensate**
Total output in the period	547,075 bbl	5,224 mcf	123,751 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per boe)	56.7	20.5	41.5
Average production costs per output unit (USD per boe)	15.4	15.4	15.4
Average net proceeds per output unit (USD per boe)	41.3	26.3	26.1

Part 4 – Matters Relating to the Company as a Whole

A. Referring to Section 1.13 to the Periodic Report - Human Capital

1. For information concerning the end of Kost Forer Gabbay and Kasierer's term as auditing accountants, and appointment of Brightman Almagor as the new auditing accountants, see the Company's immediate reports of May 12, 2021 (ref. no. 2021-01-084375) and (ref. no. 2021-01-084333) and (ref. no. 2021-01-084102), of April 13, 2021, (ref. no. 2021-01-063471) and May 10, 2021 (ref. no. 2021-01-081462), included herein by way of reference.

2. For information concerning Mr. Udi Erez's re-appointment by the general meeting to serve as a director on the Company's Board, see the Company's immediate report of April 13, 2021 (ref. no. 2021-01-063471) and May 12, 2021 (ref. no. 2021-01-084102), included herein by way of reference.

1. Referring to Section 1.16.2 to the Periodic Report - Credit Facilities, Loans, and Debentures

On May 4, 2021, the subsidiary DKL Energy Limited, which holds all of Ithaca's share capital, repaid the entire USD 8 million balance of a loan received from a foreign bank (BNP Bank).

2. Referring to Section 1.21 to the Periodic Report - Legal Actions

It is noted that, in the first quarter of 2021, there were no material developments in legal actions to which the Company is party.

Delek Group Ltd.
Date: May 30, 2021
Names and titles of signatories:
Gabriel Last, Chairman of the Board
Idan Wallace, CEO

Chapter

B

Board of Directors Report on the State of the Company's Affairs

May 30 2021

Delek Group Ltd.

Board of Directors' report on the state of the Company's affairs

For the three months ended March 31, 2021

The Board of Directors of the Delek Group Ltd. ("the Company" and/or "the Group"), hereby presents the Company's Board of Directors' Report for the three months ended March 31, 2021.

A. The Board of Directors' explanations on the state of the Company's affairs:

1. Description of the Company and its business environment

The Company operates mainly through investees engaged in oil and gas exploration and production in Israel and abroad. In this context, it is noted that in the fourth quarter of 2020, the Company sold its controlling shareholdings in Delek Israel, which markets fuel products in Israel. Furthermore, in the fourth quarter of 2019, the Company completed the sale of its Insurance and Finance in Israel operations (The Phoenix), and completed the acquisition of actively-producing oil and gas assets in the North Sea, as detailed below.

The Group's financial data and its operating results are affected, among other things, by the financial data and operating results of its investees, and by its sale or acquisition of holdings. The Company's cash flow is affected, among other things, by dividends received from its investees, by inflows from the disposal of its holdings therein, by its ability to raise financing in Israel and abroad which depends, among other things, on the value of its holdings, financial market conditions in Israel and abroad, and by the Group's investments.

In their review of the Company's financial statements as of March 31, 2021, the Company's auditors draw attention to Notes 1B and 1C to the consolidated interim financial statements, concerning a deficit in the consolidated working capital and in the Company's separate working capital; substantial repayments due of the Company and the staff companies, mainly to debenture holders; and to the amended deed of trust of May 30, 2021 which specified certain conditions, including milestones for raising various volumes of capital over the specified periods, and which updated the rating covenant requiring the Company's debentures to comply with a minimum (BBB-) rating at such dates as specified in the deed, which may be postponed automatically subject to certain conditions, with the final deadline (after which no automatic postponement will take place) for the rating to meet the (BBB-) requirement being March 31, 2022. For more information concerning the amendment to the deed of trust of May 30, 2021, see Note 11 to the consolidated financial statements. As of the approval date of the Company's consolidated interim financial statements, the Company's debentures were rated B.

As detailed in Note 1B to the consolidated interim financial statements, timely repayment of the Company's and the staff companies' liabilities is based and contingent on their ability to dispose of substantial volumes of assets and investments; their ability to raise significant amounts of debt and capital, some of which are required in the near future and which are significantly affected by oil and natural gas prices; and their ability to receive dividends and/or collect loans from investee companies and partnerships.

The Company has worked and continues to work to implement its plans which include, as aforesaid, capital-raising by the Company, disposing of significant volumes of assets and investments, raising asset-backed debt, and receiving dividends from investees, in order to meet its obligations on time. The Company believes there is a good chance that it will realize its plans. In this context it is noted that, in the past year and as of this date, significant actions have been taken to improve the Company's liquidity and reach new agreements with the Company's debenture holders. The Company's management continues to follow its business plan. However, the Company's ability to implement its plan in full, on time, and as planned, and the Company's ability to comply with all the covenants set forth in the amendments to the deeds of trust, are outside the Company's sole control.

These factors, along with such other factors as mentioned above, raise significant doubt as to the Company's continued operation as a going concern. The financial statements do not include adjustments to asset and liability values or classifications, which may become necessary should the Company cease operating as a going concern.

2. Principal Operations

Oil and gas operations in and around Israel

- The Group's gas and oil operations in Israel are carried out mainly through Delek Drilling Limited Partnership ("Delek Drilling" or "the Partnership"). As of the consolidated interim financial statements' approval date, the Partnership mainly deals in the exploration, development and production of natural gas, condensate and oil in Israel and Cyprus, and in promoting various natural gas-based projects, in order to increase natural gas sales. At the same time, the Partnership is studying various opportunities with a similar profile to the Partnership's operations.
- Subsequent to the financial position statement date, on May 4, 2021, the general partner and the trustee asked the court to exercise its powers under Sections 350 and 351 to the Companies Law, 1999 ("the Companies Law"), and summon a general meeting of the holders of participation units issued by the trustee ("the Participation Units"). This general meeting would discuss the approval of an arrangement whereby the Participation Units would be swapped for ordinary shares in a new company, New Med Energy Plc ("New Med"), incorporated in England, and which will hold all of the trustee's and the general partner's rights in the Partnership (100%). New Med's shares would be dual-listed on the Tel Aviv Stock Exchange and on the London Stock Exchange. For more information, see Note 3C to the consolidated interim financial statements.
- Subsequent to the financial position statement date, in April 2021, the Partnership announced that it had signed a non-binding memorandum of understanding to sell its rights in the Tamar and Dalit leases. These rights would be sold in consideration for up to USD 1.1 billion, including an unconditional consideration of USD 1 billion, and a contingent consideration of up to USD 100 million, payable subject to certain conditions and targets as the parties will set forth in the binding agreement.[1] For more information, see Note 5B to the consolidated interim financial statements.

Oil and gas operations in the North Sea

- The Group's operations in this segment are carried out through Ithaca Energy Ltd. ("Ithaca"), a wholly-owned Group subsidiary dealing in oil and gas exploration, production and sale in the North Sea, and holding the rights to oil assets located in the North Sea in territorial waters off the coast of England. Furthermore, Ithaca serves as the operator in most of its assets.
- In the reporting period, Ithaca received the local gas and oil authority's approval and began work on Phase 2 of the Captain Reservoir, using polymers to accelerate oil production from the reservoir. Phase 2 includes drilling up to 10 additional wells, laying underwater pipelines, and expanding the production facility. It is noted that this is a long-term project, which is expected to significantly increase production from the reservoir starting from 2024 for a period of several years. Furthermore, in the reporting period, Ithaca applied for approval of its development plan for the Abigail Reservoir, located in the GSA. The plan is expected to be approved in the second quarter of 2021. Production from this reservoir is expected to begin in the third quarter of 2022.
- Ithaca is also pursuing development plans for additional reservoir in the GSA, and is studying additional development opportunities in the portfolio acquired in the Chevron transaction.
- Subsequent to the financial position statement date, in May 2021, Ithaca distributed dividend of USD 15 million.

[1] In this translation of the Board of Directors' Report, all amounts should be understood by the reader to be rounded to the nearest billion, million, or thousand, as the case may be.

- On January 26, 2021, the Company's Board of Directors authorized Ithaca's management to study and pursue a plan to list Ithaca's shares for trading on the main London Stock Exchange, including through an exchange purchase offer whereby part of the Company's debentures would be exchanged for Ithaca shares, up to a total of 25% of Ithaca's shares, so that after such exchange, the Company would hold 75% of Ithaca's shares. Immediately following the listing of Ithaca's shares for trading on the London Stock Exchange, should such listing take place, Ithaca will work to also list Ithaca's shares for trading on the TASE, under dual-listing guidelines. The Company's Board of Directors estimates that the prospective plan may hold significant advantages for the Company and for the holders of its securities.

Other Operations

- Seller's loan for the sale of The Phoenix's shares

  As part of the sales agreement for The Phoenix's shares, the Company provided the buyer a subordinated loan whose balance as of March 31, 2021 totaled NIS 270 million ("the Seller's Loan").

  The Seller's Loan, elements of the contingent considerations, and other consideration adjustments are measured in the financial statements at fair value through profit or loss. As of March 31, 2021, the net fair value of these instruments totaled NIS 213 million (as of December 31, 2020 - NIS 143 million). As such, in the reporting period the Company recognized gains of NIS 70 million, presented under the 'Profit (loss) from discontinued operations, net' item.

  It is noted that, subsequent to the financial position statement date, in April 2021, the buyer repaid NIS 35 million of the loan provided by the Company. As of the approval date of the consolidated interim financial statements, the balance of the seller’s loan totaled NIS 235 million. For more information, see Note 3A to the consolidated interim financial statements.

- Delek Israel

  In 2020, the Group sold 70% of Delek Israel's shares for a total consideration of NIS 525 million. Of this amount, NIS 75 million serves as deferred consideration, which the buyer will pay to the Group by June 30, 2021, against 10% of Delek Israel's share capital. The buyer was also given an option to buy an additional 5% of Delek Israel's shares, at the same share price as specified in the sale agreement. In the reporting period, the buyer paid the Group half of the deferred consideration, against the transfer of 5% of Delek Israel's share capital. The buyer also exercised its option to buy the additional 5% of Delek Israel. The total consideration received by the Group on these transactions in the reporting period totaled NIS 75 million. Gains on these sales totaled NIS 7 million, and is presented under the 'Profit (loss) from discontinued operations, net' item.

  Furthermore, in the reporting period, the Group completed the valuation of its investment in Delek Israel as of the date when it sold control (October 2020). As a result, gains on the disposal of Delek Israel in 2020 grew by NIS 57 million. Gains were adjusted accordingly by retrospective adjustment of comparative figures for 2020. For more information, see Note 3B to the consolidated interim financial statements.

- Sale of land in Acre

  In March 2021, the Group signed a detailed agreement to sell an investment-property asset in Acre, as-is, for a total consideration of NIS 200 million. In the reporting period, the buyer paid a total of NIS 10 million. In addition, subsequent to the financial position statement date, a total of NIS 30 million was received, and is being held in escrow for the Group, and will be received within one business day of compliance with the terms set forth in the agreement. See also Note 4 to the consolidated interim financial statements.

Changes in the Company's equity in the reporting period

- In the first quarter of 2021, a total of 193,359 warrants (Series 10) were exercised into 193,359 shares of NIS 1 par value in the Company, for a total consideration of NIS 15 million. Furthermore, 29,625 warrants (Series 12) were exercised into 29,625 shares of NIS 1 par value, for a total consideration of NIS 2.2 million. As of March 31, 2021, warrants in circulation were as follows: 185,641 warrants (Series 10); 502,758 warrants (Series 11); and 349,370 warrants (Series 12).

- Subsequent to the financial position statement date, in April 2021, a total of 185,640 warrants (Series 10) were exercised into 185,640 shares of NIS 1 par value in the Company for a total consideration of NIS 14 million. Furthermore, 89,578 warrants (Series 12) were exercised into 89,578 shares of NIS 1

par value for a total consideration of NIS 7 million. In addition, 1 warrant (Series 10) expired near the consolidated interim financial statements' approval date. The balance of warrants in circulation was 502,758 warrants (Series 11), and 259,792 warrants (Series 12).

- Subsequent to the financial position statement date, in April 2021, the Company issued 63,400 ordinary shares of NIS 1 par value each, for a total consideration of NIS 10 million.
- Near the consolidated interim financial statements' approval date, following the above issuance and warrant exercises, the Company's issued and paid-up capital totaled 17,721,319 shares of NIS 1 par value each.

3. Results of Operations

A) The net profit attributable to the Company's shareholders totaled NIS 279 million in the reporting period, as compared to a loss of NIS 2,766 million in the same period last year.

Losses in last year's quarter were mainly due to an accounting write-down which the Group was forced to recognize on Ithaca's assets due to the crisis in global energy markets caused by the COVID-19 pandemic, and the price war between Russia and the Gulf States in the first quarter of 2020.

Contribution to net profit (loss) attributable to Company shareholders from principal operations (NIS millions):

	1-3/2021	1-3/2020*)	2020**)
Oil and gas exploration and production in and around Israel *)	166	136	326
Oil and gas exploration and production in the North Sea 2)**)	141	37	375
Contribution of continuing operations before discontinued operations and capital and other gains	**307**	**173**	**701**
Impairment of gas and oil, goodwill, and other assets in oil and gas operations ***)	-	(2,358)	(1,707)
Finance, tax, and other income (expenses) 3)****)	(28)	(581)	(811)
Net profit (loss) attributable to Company shareholders	**279**	**(2,766)**	**(1,817)**

*) Restated. See Notes 3B(2) and 3B(3) to the consolidated interim financial statements.

**) Retrospectively adjusted. See Note 3B(1) to the consolidated interim financial statements.

1) Excluding gains or losses on the sale of oil and gas assets and investments, impairment losses on oil and gas assets, and gains or losses on the revaluation of amounts receivable and a right to royalties from the Karish and Tanin leases, included under the 'Finance, tax, and other income (expenses)' item.

2) Excluding impairment losses on oil and gas assets and goodwill in the same period of last year, to the amount of NIS 2,378 million, post-tax (USD 667 million)(in 2020 - NIS 1,397 million, post-tax (USD 396 million)).

3) In the reporting period, the item includes NIS 70 million in gains on changes in the fair value of a seller's loan extended to The Phoenix's buyers (in the same period last year - a loss of NIS 17 million; and in 2020 - a loss of NIS 23 million). In the corresponding period of last year, the item includes a NIS 200 million write-down of the securities portfolio (in 2020 - NIS 194 million). In last year's period, the item also includes the result of power plant operations (including a provision for impairment) to the amount of NIS 192 million (in 2020 - NIS 197 million).

   Furthermore, following the loss of control in Delek Israel, the item includes the Group's share in Delek Israel's results (Delek Israel's operations yielded a profit of NIS 5 million in the reporting period, and a loss of NIS 111 million and NIS 123 million, respectively, in the corresponding period of last year and in all of 2020. In the reporting period, the item also includes gains on the exercise of a deferred consideration and options given to Delek Israel's buyers, to the amount of NIS 7 million; in 2020 - gains on the disposal of Delek Israel's shares and revaluation of the remaining investment totaled NIS 131 million.

B) Revenues from operating activities (NIS millions):

The Group's revenues in the reporting period totaled NIS 1,910 million, as compared to NIS 1,880 million in the same period last year, as detailed in the table below (NIS millions):

	1-3/2021	1-3/2020*)		2020
Oil and gas exploration and production in and around Israel	778	674		2,667
Oil and gas asset development and production in the North Sea	1,126	1,219		4,052
Other segments including adjustments	6	(13)		(48)
Total revenues	**1,910**	**1,880**		**6,671**

*) Restated. See Notes 3B(2) and 3B(3) to the consolidated interim financial statements.

See also Note 10 to the consolidated interim financial statements - Information Regarding Operating Segments.

C) Operating profit (loss) (NIS millions):

	1-3/2021	1-3/2020*)		2020
Oil and gas exploration and production in and around Israel	492	407		705
Oil and gas asset development and production in the North Sea	382	(3,089)		(734)
Other segments including adjustments	(3)	(11)		(65)
Total operating profit (loss)	**871**	**(2,693)**		**(94)**

*) Restated. See Notes 3B(2) and 3B(3) to the consolidated interim financial statements.

See also Note 10 to the consolidated interim financial statements - Information Regarding Operating Segments.

D) The Group's share in the profits (losses) of associates, net (NIS millions):

The Group's share in the results of its principal associates:

	1-3/2021	1-3/2020		2020
IDE [1)]	-	2		2
EMED	(4)	-		(26)
Other	8	-		14
Total	**4**	**2**		**(10)**

1) In March 2020, the Group disposed of its remaining holdings in IDE's shares.

E) Highlights from the Company's consolidated income statements (NIS millions):

	1-3/2021	1-3/2020*)		2020
Revenues	1,910	1,880		6,671
Cost of sales	981	1,055		3,536
Gross profit	**929**	**825**		**3,135**
General and administrative expenses	36	50		241
Group's share in earnings (losses) of operating associates, net	4	-		(15)
Other expenses, net	(26)	(3,468)		(2,973)
Operating profit (loss)	**871**	**(2,693)**		**(94)**
Finance income	76	55		382
Finance expenses	(452)	(739)		(2,294)
Profit (loss) after finance expenses, net	**495**	**(3,377)**		**(2,006)**
Group's share in the earnings of associates, net	-	2		5
Profit (loss) before income tax	**495**	**(3,375)**		**(2,001)**
Income tax (tax benefit)	122	(980)		(406)
Profit (loss) from continuing operations	**373**	**(2,395)**		**(1,595)**
Profit (loss) from discontinued operations, net	**74**	**(315)**		**(158) **)**
Net profit (loss)	**447**	**(2,710)**		**(1,753)**
Attributable to -				
Company shareholders	279	(2,766)		(1,817)
Non-controlling interests	168	56		64
	447	**(2,710)**		**(1,753)**

*) Restated. See Notes 3B(2) and 3B(3) to the consolidated interim financial statements.
**) Retrospectively adjusted. See Note 3B(1) to the consolidated interim financial statements.

F) Movement in comprehensive income (loss) (in NIS millions):

	1-3/2021	1-3/2020*)		2020
Net profit (loss)	**447**	**(2,710)**		**(1,753) **)**
Other comprehensive income (loss) from continuing operations (post-tax):				
Reassessment following reclassification from PP&E to investment property	-	-		27
Profit (loss) from investment in equity instruments measured at fair value through other comprehensive income	72	(149)		(101)
Gain on financial assets at fair value through other comprehensive income	-	9		-
Transfer to profit or loss from adjustments from translation of overseas operations	-	15		28
Gains (loss) from cash flow hedges	(225)	1,186		645
Transfer to profit or loss from cash flow hedges	7	(131)		(570)
Adjustments from translation of overseas operations (***)	348	401		(594)
Other comprehensive income (loss) attributable to associates, net	-	(2)		(2)
Total other comprehensive loss from continuing operations	**202**	**1,329**		**(567)**
Total comprehensive income (loss)	**649**	**(1,381)**		**(2,320)**
Attributable to:				
Company shareholders	**330**	**(1,479)**		**(2,091)**
Non-controlling interests	**319**	**98**		**(229)**
	649	**(1,381)**		**(2,320)**

*) Restated. See Notes 3B(2) and 3B(3) to the consolidated interim financial statements.

**) Retrospectively adjusted. See Note 3B(1) to the consolidated interim financial statements.

***) The Group has material investments in investee companies and an investee partnership whose functional currency is not NIS (mainly USD). Thus, changes in currency exchange rates materially affect the Group's other comprehensive income or loss and the equity attributable to Company shareholders. In the reporting period, the USD gained 3.7% against the NIS, as compared to a gain of 3.2% in the same period last year.

4. Financial Position

The Group's total assets as of March 31, 2021, amounted to NIS 35.6 billion, compared with NIS 34.4 billion as of December 31, 2020. It is noted that, of the above amounts, a total of NIS 4 billion as of March 31, 2021 and December 31, 2020 are presented under held-for-sale assets and mainly include assets attributable to the Company's stake in the Tamar Project.

Principal changes in assets and liabilities as of March 31, 2021, compared with December 31, 2020:

Cash and cash equivalents and short-term investments

As of March 31, 2021, the Group had cash and short-term investment balances of NIS 1,406 million, consisting mainly of balances of NIS 95 million in the Company and staff companies, and NIS 1,306 million in Delek Drilling.

Current and non-current assets

The Group's total current assets (excluding cash and short-term investments), excluding held-for-sale assets, as of March 31, 2021, amounted to NIS 1.5 billion, similar to the figure as of December 31, 2020.

As of March 31, 2021, the Group's total non-current assets amounted to NIS 28.6 billion, compared to NIS 28.1 billion as of December 31, 2020, an increase of NIS 0.5 billion. This increase was mainly due to gains by the USD against the NIS in the reporting period, which increased the NIS value of Delek Drilling's and Ithaca's long-term assets (mainly investments in oil and gas assets). This increase was offset by the current amortization of oil and gas assets and by disposal and reclassification to held-for-sale assets of some of the Group's investments.

Short- and long-term liabilities

Financial liabilities (to banks and others and to debenture-holders and holders of convertible debentures), as of March 31, 2021, amounted to NIS 20.1 billion, as compared to NIS 18.1 billion as of December 31, 2020. This increase was due to presentation of NIS 2 billion in Tamar Bond debentures issued to finance the Tamar Project as current maturities on debentures, instead of liabilities attributable to held-for-sale assets. This reclassification was made in light of the format of the planned sale of rights in the Tamar Reservoir.

Contingent claims

In their review of the financial statements, the Company's auditors draw attention to legal actions brought against Group companies. For details, see Note 7 to the consolidated interim financial statements.

Additional information

For additional information regarding repayments of principal and interest on the Company's and the staff companies' debts, see Appendix A to the Board of Directors' Report.

5. Sources of Finance and Liquidity

The net financial debt of the Company and the staff companies as of March 31, 2021:[2]

	NIS millions
Liabilities	
Debentures	(5,054)
Loan from subsidiary (*)	(254)
Bank and other loans	(296)
Other liabilities	(274)
Total liabilities	**(5,878)**
Assets	
Cash and deposits	84
Restricted deposits and investments in securities	200
Loans (**)	1,264
Other payables	27
Treasury shares (***)	99
Total assets	**1,674**
Financial debt, net	**(4,204)**

(*) In October 2020, a debenture issuance was completed to classified investors in Israel and abroad, to the amount of USD 180 million (before safety buffers securing interest payments and issuance costs) by Delek Overriding Royalty Leviathan Ltd. ("the Issuer"), a subsidiary (100%) of Delek Energy. The issuance was secured by a pledge of rights to overriding royalties from the Leviathan Project which were transferred to the Issuer. For more information, see Note 12L to the consolidated financial statements as of December 31, 2020.

(**) Composition of loans extended as of March 31, 2021:

Borrower	Loan balance (NIS millions)
Loans to Ithaca	924
Seller's loan - The Phoenix transaction	213
Others	127
Total	**1,264**

(***) As of March 31, 2021, and as of the consolidated interim financial statements' approval date, Delek Financial Investments (2012) Limited Partnership, a wholly-owned subsidiary partnership of the Delek Group, held 586,422 shares of NIS 1 par value in the Delek Group. For more information, see Section (f) - Additional information below.

(1) Staff companies: Delek Group, Delek Petroleum, Delek Financial Investments (2012) Limited Partnership, Delek Power Plants Limited Partnership, DKL Energy, DKL Investments, Delek Infrastructure, Delek Hungary, and Delek Energy.

Projected cash flows

According to Regulation 10(b)(14) of the Securities Regulations (Periodic and Immediate Reports), 1970 ("the Securities Regulations"), companies which, upon publication of their financial statements, have debt certificates in circulation, must test for warning signs as defined in the Securities Regulations. If one or more warning signs are found, companies must provide disclosure concerning their projected cash flows.

The financial statements as of March 31, 2021, include the following warning signs: (1) the auditors' review as of the reporting date drew attention to significant doubts concerning the Company's continued operation as a going concern; (2) a working capital deficit for a period of twelve months, and the Company's Board of Directors did not determine that such deficit does not indicate a problem with the Company's liquidity.

The Company's Management has presented to the Company's Board of Directors all sources received until immediately prior to the financial statements' approval date, and all forecast sources which may serve the Company and the staff companies to meet their obligations in the next two years including the Company's forecast inflows from earning and dividend distributions from investee partnerships and companies, the Company's cash balances which service operating activities and liability repayments, plans to raise funds, mainly through equity transactions in its investees, disposing of other assets, financing backed by Delek Drilling participation units, and capital raising (in 2020 and as of the financial statements' approval date, the Company raised a total of NIS 500 million).

The Company's Board of Directors, having reviewed the forecast sources and uses report presented by Management, under different scenarios, believes, based on past experience, the Company's proven ability to raise funds in recent years and the Company's assets, that the assumptions underlying the report are reasonable. The Company's Board of Directors also believes that the Company will be able to secure the sources of financing indicated in the projected cash flows, required to settle the Company's liabilities.

The forecast presented in this report refers to the Company and its wholly-owned staff companies, including Delek Energy Systems Ltd. ("Delek Energy"), and other wholly-owned staff companies such as: DKL Investments Limited, DKL Energy Limited, Delek Infrastructure Ltd., Delek Financial Investments (2012) Limited Partnership, Delek Petroleum Limited, and Delek Hungary Holdings Limited (jointly - "the Company and Its Staff Companies").

Projected cash flows for the Company and its wholly-owned Staff Companies:

	Assumptions	From Apr. 1, 2021 to December 31, 2021	2022	From Jan. 1, 2023 to March 31, 2023
Opening cash balance	1	84	277	410
Inflows				
Forecast earning distributions from Delek Drilling	2	-	141	141
Forecast dividend distributions from Ithaca / repayment of shareholder loans	3	1,024	-	-
Forecast dividend distributions from Delek Israel	4	38	19	-
Total dividends from investees		**1,062**	**160**	**141**
Disposal of real estate - Acre	5	190	-	-
Disposal of Delek Israel - Delek Israel's buyers	5	38	-	-
Disposal - other assets	5	18	244	455
Capital raising - Company shares	6	147	74	-
Other inflows	7	32	-	-
Equity transaction in Ithaca	8	962	-	-
Total other inflows		**1,387**	**318**	**455**
Financing against pledge of Delek Drilling units	9	260	250	-
Total loans and additional raising		**260**	**250**	**-**
Total inflows		**2,709**	**728**	**596**
Outflows				
Principal payments on debentures	10	642	1,778	732
Interest payments on debentures	10	166	199	61
Repayment of BNP loan	11	26	-	-
Interest payments on bank loans and other liabilities	12	17	32	2
Total debt payments (principal and interest)		**851**	**2,009**	**795**
Other outflows	13	133	118	25
Total other outflows		**133**	**118**	**25**
Deposit in an account pledged to the debentures' trustee	14	1,532	(1,532)	-
Total outflows		**2,516**	**595**	**820**
Closing cash balance		**277**	**410**	**186**

Assumptions underlying forecast cash flows for April 1, 2021 to March 31, 2023

General assumptions

- USD amounts were translated at an exchange rate of USD 1 = NIS 3.25.
- Debentures and loans are linked to the known CPI as of March 31, 2021.
- The forecast cash flow report does not account for the restricted cash balances and the expected date of their release back to the Company. The Company's and the staff companies' pledged deposits and investments in marketable securities near the consolidated interim financial statements' approval date totaled NIS 220 million.
- **Assumptions underlying specific projected cash flow items**

1. Opening cash balance

   The balance includes cash and bank deposits.

2. Forecast earning distributions from Delek Drilling

   It is currently estimated that Delek Drilling will distribute USD 80 million for 2021, at the start of 2022, and an additional USD 80 million for 2022 will be distributed in December 2022. The projected cash flow accounts for the Company's share in these distributions (54%).

   Earning distributions from Delek Drilling are mainly based on expected cash flows from Delek Drilling's operating activities, and Delek Drilling's payout capacity.

   The assumption underlying this cash flow is that earning distributions by Delek Drilling receivable for Delek Drilling's pledged participation units will serve to repay the liabilities (debentures) for which the units are pledged.

3. Forecast dividend distributions from Ithaca/ repayment of shareholder loans

   In May 2021, Ithaca distributed USD 15 million in dividends. The assumptions underlying the forecast are that Ithaca will distribute dividends or repay shareholder loans to the amount of USD 300 million in 2021. This amount is mainly based on surplus cash flows expected from Ithaca's planned refinancing initiatives, and on estimates by Ithaca's management.

4. Forecast dividend distributions from Delek Israel

   The forecast is based on the assessment that Delek Israel will distribute dividends from the sale of its power plant operations and from its current earnings (the Group's share - NIS 38 million in 2021, and NIS 19 million in 2022). This estimate is based mainly on a business forecast compiled by Delek Israel's management, Delek Israel's payout capacity, and the shareholders' agreement which sets a minimum dividend payout policy.

5. Disposal of investees and other assets

   - Disposal of investment property in Acre – In accordance with the agreement to sell an investment property asset in Acre, signed in March 2021, the Group is expected to receive the remaining balance of the consideration, to the amount of NIS 190 million (NIS 10 million were received in January 2021).
   - Disposal of Delek Israel - It was assumed that the remaining deferred consideration given to Delek Israel's buyers, to the amount of NIS 38 million, will be exercised by June 2021, based on the transaction value specified on Delek Israel's sale in October 2020 and following dividend adjustments. For more information, see Note 3B to the consolidated interim financial statements.
   - Disposal - other assets - This item includes the Group's estimates that in the above cash flow period, the Group will work to dispose of its holdings in Delek Overriding Royalty Leviathan Ltd. and all or part of its holdings in Delek Israel shares, in accordance with the Company's needs.

6. Capital raising - Company shares and warrants to Company shares

   In April 2021, a total of NIS 14 million was received on the exercise of warrants. The Company also issued NIS 10 million in shares in April 2021. For more information on these capital raising rounds and on the issue of warrants, see Note 8 to the consolidated interim financial statements. In May 2021, the Company's Board decided to work towards raising NIS 125 million in capital in 2021, and NIS 75 million in the first quarter of 2022, in accordance with the amended deed of trust with the debenture holders of May 2021.

7. Other inflows

   Reflects interest payments on a loan extended by the Company.

8. Equity transaction in Ithaca

   The Company is working to find a partner and/or to sell part of Ithaca's shares (including selling as part of an initial public offering) and/or to raise funds through a pre-IPO mechanism for Ithaca shares and/or an offer for a voluntary exchange of Company debentures for Ithaca shares as part of an IPO and/or the issuance of share capital and/or a combination of the above, to the amount of USD 300 million. To this end, the Company has hired IPO consultants, accountants, and attorneys, and is taking the necessary actions to prepare for Ithaca's IPO.

9. Financing against pledge of Delek Drilling's participation units

   The Company plans to secure financing backed by participation units in accordance with the amended deed as signed by the Company and its debenture-holders in June 2020. In the forecast cash flow, the Company assumed that these efforts would yield inflows of NIS 510 million.

   On May 30, 2021, the Company’s Board of Directors authorized the Company’s management to pursue the public issue of a new series of debentures backed by a first lien on Delek Drilling’s participation units, at a debt-to-collateral ratio of 100%.

10. Principal and interest payments on debentures

    Based on the original amortization schedules for the Company's and Staff Companies' debentures. It is noted that the interest on the debentures includes the 0.25% increase in interest rates specified under the amended deed of May 2021.

    For more information on agreements with debenture holders, see Note 11 to the consolidated interim financial statements.

11. Repayment of BNP's loan and future loan payments

    The balance of BNP's loan totals USD 8 million, and was repaid in full in May 2021.

12. Loan payments to banks and others, net

    The item includes interest payments on loans extended by the Company, including the loan detailed in Section 9 above.

13. Other outflows

    The item includes fees, taxes, general and administrative expenses, abandonment costs, and other payments.

14. Deposit in an account pledged to the debentures' trustee

    The item includes amounts which the Company must deposit in escrow with the debentures' trustee in accordance with the amended deed of May 2021. These amounts secure principal and interest payments on the debentures in the first quarter of 2022.

15. The forecast does not account for options to dispose of additional assets (in lieu of or in addition to raising debt backed by such assets. These include: disposal of real estate assets, seller's loan in The Phoenix transaction, debt recycling on the open market which may become possible based on market conditions and agreements with debenture holders, should the need arise.

    Warning concerning forward-looking information - In the attached projected cash flow, the Company has included, both for its own operations and for the operations of its investees, forward-looking information as defined in the Securities Law, 1968. This information includes, among other things, the probability for the materialization of relevant

business scenarios expected to yield inflows for the Company, the time frames for the materialization of such scenarios; results of operations; possible alternatives for securing sources to meet the liabilities of the Company and the staff Companies as they become due; the amounts and timing of debenture and loan repayments for the Company and the staff companies and other forecasts, assessments, assumptions, and other information concerning future events or matters, whose materialization is uncertain and outside the Company's or its investees' control.

6. Analysis of Operations by Segment

A) Oil and gas exploration and production in and around Israel

As aforesaid, oil and gas exploration and production in and around Israel are carried out mainly through Delek Drilling.

Results of oil and gas exploration and production in and around Israel, as included in the Group's results (NIS millions):

	1-3/2021	1-3/2020	2020
Revenues from gas sales net of royalties	778	674	2,667
Operating profit (adjusted for impairment of oil and gas assets and gains on disposal of oil and gas assets)	**499**	**464**	**1,619**
Loss on disposal of oil and gas assets	-	-	(235)
Impairment of oil and gas assets	(7)	(57)	(679)
EBITDA	**605**	**580**	**2,238**
Finance expenses, net	131	185	576
Net profit attributable to Group shareholders	**166**	**158**	**117**
Gas sales from Tamar, in BCM (*)	**1.7**	**2**	**8.2**
Gas sales from Leviathan, in BCM (*)	**2.7**	**1.6**	**7.3**
Condensate sales - thousands of barrels (***)	**83**	**213**	**944**

(*) The data relate to sales of natural gas (100%) from the Tamar and Leviathan projects (previous year - Tamar and Yam Tethys), rounded to one tenth of one BCM.

(**) Data refer to condensate sales (100%) in 2021: Tamar 2020: From the Tamar and Leviathan projects, rounded to the nearest thousand barrels.

Analysis of the Oil and Gas Exploration and Production in and around Israel segment's results

In the reporting period, oil and gas exploration and production in and around Israel yielded a net profit of NIS 166 million, as compared to a net profit of NIS 158 million in the same period last year. This year-on-year increase in profit was mainly due to the growth in gas sales from the Leviathan Reservoir.

Revenues from gas sales net of royalties

In the reporting period, revenues from oil and gas sales, net of royalties, totaled NIS 778 million, compared with NIS 674 million in the same period last year. This increase was mainly due to an increase in net sales from the Leviathan Reservoir, partially offset by lower sales in the Tamar Reservoir.

Operating profit (excluding impairment of oil and gas assets)

Operating profit in the reporting period amounted to NIS 499 million, compared to NIS 464 million in the same period last year. This increase in operating profit was mainly due to sales growth in the Leviathan Reservoir as aforesaid.

Finance expenses, net

In the reporting period, net finance expenses totaled NIS 131 million, as compared to net finance expenses of NIS 185 million in the same period last year. Finance expenses were down year-on-year mainly due to a decrease in Delek Energy's liabilities to banks, and the lower average USD exchange rate in the present period as compared to the same period last year, which affected Delek Drilling's USD-based liabilities.

Adjustment of the Partnership's results to the Group's share in oil and gas exploration and production in and around Israel (NIS millions):

	1-3/2021	1-3/2020	2020
Net profit from Delek Drilling's statements	**401**	**297**	**1,256**
Indirect holdings (%)	54.7%	59.9% *)	54.7%
Group's share	**219**	**178**	**702**
Income tax	(33)	(8)	(132)
Revenues from overriding royalties	9	13	32
Results of direct holdings in Yam Tethys (4.44%)	-	(2)	(4)
Amortization of excess acquisition costs **)	(9)	(12)	(47)
General and administrative expenses	(7)	(1)	(29)
Finance expenses, net	(6)	(10)	(76)
Other expenses	(7)	-	(329)
Contribution to net profit from oil and gas exploration and production	**166**	**158**	**117**

*) In March 2020, the Company's indirect holdings in Delek Drilling went down to 54.7%.

(**) Current amortization of excess cost (previously recognized as part of the Cohen Development transaction).

Additional information

For more information on oil and gas exploration and production in and around Israel, see Notes 1, 3, 5, 7 and 10 to the consolidated interim financial statements.

B) Oil and gas exploration and production in the North Sea

Ithaca Energy ("Ithaca") is an independent oil and gas operator operating in the North Sea, holding both production and development oil and gas assets.

For more information on this transaction, see Chapter 2 above and Note 10F to the consolidated financial statements as of December 31, 2020.

Ithaca's financial data as included in the financial statements (including attribution of excess acquisition costs incurred upon assuming control):

Statement of Financial Position

USD millions	March 31, 2021	December 31, 2020
Cash and cash equivalents	2	1
Other current assets	241	244
Investments in oil and gas exploration and production	2,447	2,513
Other assets, net (mainly deferred taxes)	677	665
Goodwill	767	767
Total assets	**4,134**	**4,190**
Current liabilities (trade and other payables)	430	335
Bank loans, RBL, and debentures	1,039	1,187
Loan from the Delek Group	277	271
Other long-term liabilities (mainly obligation to disassemble assets)	1,515	1,500
Equity attributable to Ithaca's shareholders	**873**	**897**
Total liabilities and equity	**4,134**	**4,190**

Income statement

USD millions	1-3/2021	1-3/2020	2020
Revenues from oil and gas sales	345	348	1,176
Cost of sales (excluding depreciation and inventory turnover)	(103)	(112)	(421)
Depreciation expenses	(105)	(117)	(346)
Oil and gas inventory turnover	(15)	(13)	(2)
Gross profit	**122**	**106**	**407**
Impairment of gas and oil assets and goodwill	-	(966)	(518)
Other expenses, net	(5)	(4)	(38)
Finance expenses, net	(46)	(68)	(221)
Profit (loss) before income tax	**71**	**(932)**	**(370)**
Tax benefit (tax expenses)	(28)	277	84
Net profit (loss) attributable to Ithaca's shareholders	**43**	**(655)**	**(286)**
Output in the reporting period (KBoe)	**5,850**	**6,840**	**24,250**
Average daily output (KBoed)	**65**	**75**	**66**

EBITDAX and adjustment to net profit

USD millions	1-3/2021	1-3/2020	2020
Revenues, net *)	321	332	1,144
Operating expenses	(94)	(107)	(389)
General, administrative, currency, and other expenses	(6)	(4)	(10)
EBITDAX	**221**	**221**	**745**
One-time costs, in cash	-	-	(21)
Depreciation and amortization	(105)	(117)	(346)
Impairment of gas and oil assets and goodwill	-	(966)	(518)
Other non-cash income (expenses)	8	(7)	3
Net finance expenses, excluding results of hedges	(53)	(63)	(233)
Tax benefit (tax expenses)	(28)	277	84
Net profit (loss) attributable to Ithaca's shareholders	**43**	**(655)**	**(286)**

*) Net revenues plus (less) actual gains (losses) on hedges, inventory turnover, royalty expenses and oil tanker costs.

Additional data concerning Ithaca's results:

Revenues

Ithaca's revenues in the reporting period totaled USD 345 million, as compared to revenues of USD 348 million in the same period last year. Revenue composition was as follows:

Sales revenues (USD millions)	1-3/2021	1-3/2020	2020
Oil	222	202	585
Natural gas	86	51	172
NGL (natural gas liquids)	14	13	36
Other income	9	1	10
Gains on hedges	14	81	373
Total	**345**	**348**	**1,176**

Output in the reporting period totaled 5.9 mmbbl (65 mbbl/day, on average), as compared to 6.8 mmbbl (75.2 mbbl/day, on average) in the same period last year. Average daily output in the reporting period matches Ithaca's forecasts for an average output of 60-65 mbbl/day in 2021-2023. This decrease in production output is mainly due to production ramp-down due to the COVID-19 pandemic, delayed CAPEX investments in 2020, and cessation of water injection activities in the Captain field in the first quarter of 2021. This decrease in the reporting period was partially offset by output from the Vorlich field, which came online in November 2020.

Gas and oil prices were up in the reporting period. Selling prices for oil went up to USD 60/bbl in the reporting period, from USD 58/bbl in the same period last year. Gas selling prices went up to 50 pennies/therm, from 24 pennies/therm in the same period last year. However, the impact of these price increases on Ithaca's revenues was partially offset by Ithaca's hedges on gas and oil prices, as part of its risk management policy. The effect of these hedges on Ithaca's revenues amounted to an additional USD 14 million in revenues in the reporting period, as compared to USD 81 million in the same period last year.

Cost of sales

In the reporting period, cost of sales (excluding depreciation costs and inventory turnover) totaled USD 103 million, as compared to USD 112 million in the same period last year. Average production costs totaled USD 16/bbl in the present period, similar to the figure for the same period last year.

In the reporting period, depreciation and amortization costs totaled USD 105 million, as compared to USD 117 million in the same period last year. This decrease was due to lower production volumes in the reporting period, as compared to the same period last year, as detailed above.

Hedges on oil and gas prices

As part of its risk management strategy, Ithaca hedges oil and gas prices, mainly through swaps and put options. As of March 31, 2021, Ithaca had open price hedges on 11 mmbbl of oil, at an average hedged price of USD 48/bbl. Ithaca also had open price hedges on 398 million therms of gas, at an average hedged price of 43 pennies/therm. The value of these hedges as of March 31, 2021 reflects a liability of USD 153 million (NIS 510 million).

Finance expenses, net

In the reporting period, finance expenses totaled USD 46 million, as compared to USD 68 million in the same period last year. Finance expenses were down, mainly due to a decrease in loan balances. Furthermore, in the corresponding period of last year, finance expenses included USD 7 million in losses on the revaluation of derivative financial instruments, which yielded a gain of USD 1 million in the present period.

For more information on oil and gas exploration and production operations in the North Sea, see Notes 1 and 9 to the consolidated interim financial statements.

C) Additional operations

Delek Israel

In the reporting period, Delek Israel contributed a total of NIS 12 million to net profit attributable to the Company's shareholders (including gains from the exercise of part of the deferred consideration and options, as detailed in Chapter 2 above). For more information, see Note 3B to the consolidated interim financial statements.

B. Market Risk Exposure and Management

1. The following table details Israeli CPI data and exchange rates for the primary currencies used by the Group:

As of	USD representative exchange rate NIS	GBP representative exchange rate	Known CPI Points *)
Mar. 31, 2021	3.334	4.5869	100.19
Mar. 31, 2020	3.565	4.3986	100.2
Dec. 31, 2020	3.215	4.391	100.08
Change during the year	**%**	**%**	**%**
Q1/2021	3.7	4.46	0.11
Q1/2020	3.2	(3.5)	(0.5)
2020	(6.97)	(3.69)	(0.60)

*) Base index - 2014 average.

C. Disclosure relating to the Company's financial reporting

1. Critical accounting estimates

There were no changes to critical accounting estimates in the reporting period.

2. Events after the financial position statement date

For information on material events subsequent to the financial position statement date, see Chapter A to the Board of Directors' Report.

D. Dedicated disclosure for debenture holders

1. Information on debentures issued by the Company as of March 31, 2021:

Series	Issue date (including expansions)	Par value Original	Par value balance as of March 31, 2021	Nominal interest rate	Linkage	Carrying amount as of Mar. 31, 2021	Interest accrued in the books as of March 31, 2021	Repayment dates (principal/ interest)	Stock exchange value as of March 31, 2021	Trustee
B13	3/2007	913	91	Until listing - +5.1%, after listing - 4.6%	Israeli CPI	111	-	Principal and interest payments on Sept. 29, 2021	108	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - Dan Avnon
B18	11/2009 6/2010 7/2011	1,062	354	6.1%	Israeli CPI	386	10	Interest payments on Apr. 30 and Oct. 31 and principal payments on Oct. 31 in each of 2021-2022	368	Reznik Paz Nevo RPN Trusts 2007 Ltd., 14 Yad Harutzim St., Tel Aviv Tel: 03-6389200, Elad Sirkis
B19	11/2010	560	280	4.65%	Israeli CPI	298	5	Interest payments on May 10 and Nov. 10 and principal payments on Nov. 10 in each of 2021-2022	277	Hermetic Capital Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5544553 - Tzuri Galili
B22	6/2007	500	125	4.50%	Israeli CPI	151	2	Principal and interest payments on Jun. 30 and Dec. 31, 2021	148	Mishmeret - Trusts Services Company Ltd., 48 Menahem Begin St., Tel Aviv, Tel: 03-6374335/4, Atty. Rami Katzav, CPA.
B31	2/2015 6/2015 10/2015 2/2017	3,276	2,944	Until the rating downgrade (Mar. 22, 2020) - 4.3% From Mar. 23, 2020 - 5.3%	Un-linked	2,944	17	Interest payments on Aug. 20 and Feb. 20 and principal payments on Feb. 20 in each of 2021-2025	2,540	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - Dan Avnon
B33	7/2016	705	705	Until the rating downgrade (Mar. 22, 2020) - 2.8% From Mar. 23, 2020 - 3.8%	Convertible and non-linked	705	6	Interest payments on Jul. 10 and Jan. 10 in each of 2021-2022; principal payment on Jan. 10, 2022	655	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - Dan Avnon
B34	2/2018	521	480	Until the rating downgrade (Mar. 22, 2020) - 4.48% From Mar. 23, 2020 - 5.48%	Un-linked	480	6	Interest payments on Jun. 30 and Dec. 31 and principal payments on Dec. 31 (except Dec. 31, 2022) in each of 2021-2028	401	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - Dan Avnon

2. Additional information on debentures convertible to Company shares

Series	Conversion to shares	Conversion ratio	Key conversion terms	Forced conversion
B33	Delek Group Ordinary shares 1084188	Conversion ratio in the period from July 11, 2019 to December 31, 2021 - 1,278.52907	The right to conversion into Company shares will stand on each day of trading until December 31, 2021, such that every NIS 1,278.52907 par value in Debentures (Series B33) may be converted to one ordinary share in the Company. Adjustments will be made following distribution of bonus shares, participation in rights issuances, and dividend distributions.	The Company is entitled to forced conversion if the closing price for the Company's shares on the TASE for 15 consecutive days of trading exceeds NIS 2,000 (starting July 11, 2019)

3. For the current rating report for the Company's debentures (Series B13, B22, B31, B33, B34) (in this paragraph – "the Debentures"), see S&P Maalot's rating report of January 31, 2021, included herein by way of reference, upgrading the Debentures' rating from ilCCC-developing to ilB-developing. For more information, see the Company's immediate report of January 31, 2021 (ref. no. 2021-01-012097), included herein by way of reference.

4. Financial covenants (debentures)

In June 2020, the Company signed an amendment to the deeds of trust between the Company and the holders of its various debenture series. The amended deeds of trust specified grounds for immediate repayment, as follows:

- In the period until May 31, 2021, the trustee and the debenture holders will not call for immediate repayment of the debentures on grounds based solely on the state of the Company's business as it was at the time of the amended deed's publication and/or on grounds concerning a low rating of the Company's debentures.
- Until the publication date of the first quarter financial statements in 2021, the grounds for immediate repayment specified in the deeds of trust concerning low equity - shall not apply. For statements from the second quarter of 2021 and until the annual statements for 2023, the holders will have grounds for immediate repayment if the equity after deducting additional equity arising from revaluations and equity as presented in the statements are lower than the levels specified in the amended deed for these purposes. From the statements for the first quarter of 2024 onwards, the debenture holders will have ground to call for immediate repayment if the equity presented in the Company's statements falls below NIS 2.6 billion.
- Until the publication date of the first quarter financial statements in 2021, the grounds for immediate repayment specified in the deeds of trust concerning the equity to balance sheet ratio - shall not apply. For statements from the second quarter of 2021 and until the annual statements for 2023, requirements have been specified for the equity to balance sheet ratio. Should the company fail to meet these requirements for two consecutive quarters, the holders will have grounds for immediate repayment. From the statements for the first quarter of 2024, the debenture holders will have grounds to call for immediate repayment should the equity to balance sheet ratio according to the Company's separate statements fall below 20% for two consecutive quarters.

The amended deed includes additional declarations and obligations for the Company, including: (a) concerning uses for proceeds from capital issuances and/or dividends and/or sales and/or pledges of certain assets; (b) an obligation not to deposit monies and/or securities with the creditor banks of the Company or companies under its control, except for certain permissible exceptions; (c) an obligation not to acquire assets and/or make investments and/or assume credit and/or assume fiscal liabilities toward financial creditors and/or change the terms of certain credit agreements, except for certain permissible exceptions; (d) in the Effective Period: the Company's general and administrative expenses will not exceed such amounts as specified, the Company will not make distributions, the Company and companies under its control will not undertake transactions in which the controlling shareholder has a personal interest (except for officers' insurance and existing contracts as disclosed in the statements), the Company and private companies under its control will neither sell nor buy Company debentures; (e) obligations to provide the trustees with various notices; (f) an obligation to cover the fees and expenses of the trustees and their agents. It was furthermore agreed that a violation of any of the Company's obligations under the amended deed would grant the trustees and the debenture holders grounds to call for immediate repayment, and a right to exercise all sureties provided to the trustees.

Subsequent to the financial position statement date, on May 30, 2021, a holders meeting of the Company’s various debenture series approved another amendment to the deed of trust for each of the series. The principal additional amendments to the deed were as follows:

- Review of the rating covenant, requiring the debentures to comply with a minimum rating of BBB- would initially be postponed to September 15, 2021.
- The Company undertook to make its utmost effort to complete Ithaca’s IPO by September 15, 2021, and to transfer to the trustees the amounts received from said IPO.
- Should the rating not be upgraded by September 15, 2021, the rating covenant would automatically be postponed in several steps until March 31, 2022, provided that the Company deposit in the trustees’ account all amounts required to meet the principal and interest payments on the debentures in the first quarter of 2022 in four equal installments (25% each time), on September 15, 2021, October 15, 2021, November 15, 2021, and December 15, 2021.
- The Company undertook to raise NIS 125 million in capital, as follows: NIS 50 million by August 5, 2021, and an additional NIS 75 million by October 16, 2021. The Company will raise an additional NIS 75 million in capital by January 5, 2022, should the debentures’ rating not be upgraded to the minimum required rating of BBB- by January 5, 2022. In all, the cumulative

capital raising requirement totals NIS 200 million (of which NIS 75 million are contingent, if the rating is not upgraded by the specified deadline.

- The interest on all series of Company debentures will increase by an annual rate of 0.25%, starting June 1, 2021 and until the rating is upgraded to BBB-.

For more information, see Notes 1B and 11 to the consolidated interim financial statements, and Note 19 to the financial statements as of December 31, 2020.

E. Additional information

Company employees

The Board of Directors would like to thank the Company's management, the management of the Company's investees, and to all the employees for their dedicated work and their contribution to the advancement of the Company.

Sincerely

Gabriel Last	**Idan Wallace**
Chairman of the Board	CEO

Signature date: May 30, 2021

Appendix A to the Board of Directors' Report

Breakdown of principal and interest payments on the Company and the staff companies' debentures and bank and other loans as of March 31, 2021 (in NIS millions):

		Apr. 1, 2021 - Dec. 31, 2021	2022	2023	2024	2025	2026 onward	Total
Debentures	Principal	642	1,778	796	796	796	246	5,054
	Interest	166	199	127	82	38	29	641
Loans from banks and others (*)	Principal	26	-	-	104	-	-	130
	Interest	10	11	7	1	-	-	29
Total		**844**	**1,988**	**930**	**983**	**834**	**275**	**5,854**

*) Excluding a convertible liability.

Appendix B to the Board of Directors' Report

Following on Note 12 to the financial statements for 2020, and following a tax decision by Delek Overriding Royalty Leviathan Ltd. prior to issuing the debentures, the following data will be provided to the holders of Delek Overriding Royalty Leviathan Ltd.'s debentures:

Condensed Statement of Financial Position (Dollars in thousand)

	March 31 2021	March 31 2020*)	December 31 2020
	Unaudited		Audited
Current assets			
Cash and cash equivalents	2	-	3
Short-term investments	3,099	-	326
Royalties and other receivables	1,433	-	1,328
Total current assets	4,534	-	1,657
Non-current assets			
Long-term investments	19,621	-	19,613
Loan to controlling shareholder	77,797	-	76,334
Assets in respect of ORRI	196,257	-	197,704
Deferred Taxes	1,086	-	888
Total non-current assets	294,761	-	294,539
	299,295	-	296,196
Current liabilities			
Other payables	4,443	-	877
Total current liabilities	4,443	-	877
Non-current liabilities			
Debentures	169,810	-	169,001
Total non-current assets	169,810	-	169,001
Equity			
Share capital	295		295
Share premium	127,275		127,275
Retained earnings	(2,528)	-	(1,252)
Total equity	125,042	-	126,318
	299,295	-	296,196

*) The company's operations started on October 28 2020.

Condensed Statements of Comprehensive Income (Dollars in thousand)

	Three-month period ended March 31,		Year ended December 31,
	2021	2020*)	2020
	Unaudited		Audited
Revenue from overriding royalties	2,838	-	1,335
General and administrative expenses	200	-	203
Depletion	1,448	-	712
Operating profit	1,190	-	420
Financing expenses	(4,207)	-	(2,883)
Financing income	1,512	-	1,067
Loss before income tax	(1,505)	-	(1,396)
Income tax	229	-	144
Loss and total comprehensive loss	(1,276)	-	(1,252)

*) The company's operations started on October 28, 2020.

Condensed Statements of Changes in Equity (Dollars in thousand)

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at January 1, 2021 (Audited)	295	127,275	(1,252)	126,318
Total comprehensive income (loss)	-	-	(1,276)	(1,276)
overriding royalties	-	-	-	-
Balance as at March 31, 2021	295	127,275	(2,528)	125,042

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at January 1, 2020 (Audited)	*)	-	-	*)
Total comprehensive income (loss) **	-	-	-	-
overriding royalties	-	-	-	-
Balance as at March 31, 2020	*)	-	-	*)

	Share capital	Share premium	Retained earnings	Total
	Audited			
Balance as at January 1, 2020	*)	-	-	*)
Total comprehensive income (loss) **	-	-	(1,252)	(1,252)
overriding royalties	295	127,275		127,570
Balance as at December 31, 2020	295	127,275	(1,252)	126,318

*) Less 1 thousand dollars.

**) The company's operations started on October 28, 2020.

Condensed Statements of Cash Flows (Dollars in thousand)

	Three-month period ended March 31,		For the year ended
	2021	2020*)	2020
	Unaudited		Audited
Cash Flows - Current Operations:			
Loss for the year	(1,276)	-	(1,252)
Adjustments for:			
Depletion and depreciation	2,256	-	1,252
Deferred Taxes	(198)	-	(888)
Increase in Long-term investments	(8)	-	-
Changes in assets and liabilities items:			
Increase in trade and other receivables	(105)	-	(1,328)
Increase in loan to controlling shareholder	(1,504)	-	-
Increase in trade and other payables	5,663	-	1,342
Net cash used for current operations	2,731	-	(82)
Cash Flows - Investment Activity:			
Investment in oil and gas assets	-	-	(70,815)
Loan granted to controlling shareholder	-	-	(80,037)
Repayment of loans to controlling shareholders	41	-	3,703
Long-term deposit in bank deposits	-	-	(20,900)
Short-term deposit in bank deposits	(2,773)	-	(326)
Net cash deriving from (used for) investment activity	(2,732)	-	(168,375)
Cash Flows - Financing Activity:			
Bond offering (net of issue costs)	-	-	168,460
Net cash deriving financing activity	-	-	168,460
Increase in cash and cash equivalents	(1)	-	3
Cash and cash equivalents balance at the beginning of the year	3	-	-
Cash and cash equivalents balance at the end of the year	2	-	3
Annex A - Finance and investment activity not involving cash flows:			
Investments in oil and gas assets against share premium	-	-	127,601
Annex B - Additional information on cash flows:			
Interest paid	-	-	2,328

*) The company's operations started on October 28, 2020.

Chapter C

Financial Statements

Delek Group Ltd.

Consolidated Interim Financial Statements as at March 31, 2021

Unaudited

Contents

Consolidated Balance Sheets

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	561	567	402
Short-term investments	845	1,344	559
Trade receivables	878	1,986	820
Other receivables	171	473	191
Current tax assets	31	36	40
Financial derivatives	29	1,178	93
Inventory	423	433	343
	2,938	6,017	2,448
Assets held for sale	4,081	-	3,927
	7,019	6,017	6,375
Non-current assets			
Long-term loans, deposits, and receivables	3,384	3,695	3,176
Other financial assets	9	313	21
Investments in associates	581	355	679 *)
Investment property	196	399	331
Right-of-use assets	18	903	22
Financial derivatives	10	721	9
Investments in exploration and production of oil and gas assets, net	20,054	25,638	19,654
Fixed assets, net	80	1,957	84
Goodwill	2,903	3,461	2,798
Other intangible assets, net	-	7	-
Deferred taxes	1,383	1,445	1,278
	28,618	38,894	28,052
	35,637	44,911	34,427

*) Retrospective reconciliation – see Note 3B(1)

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

Consolidated Balance Sheets

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
Current liabilities			
Borrowings and current maturities from banks and others	26	10,632	138
Debentures including current maturities of debentures	8,411	7,001	6,668
Trade payables	481	1,340	317
Other payables	1,409	1,293	1,193 *)
Current maturities of lease liabilities	15	150	20
Current tax liabilities	110	270	75
Financial derivatives	409	66	264
	10,861	20,752	8,675
Liabilities attributable to assets held for sale	141	-	2,230
	11,002	20,752	10,905
Non-current liabilities			
Loans from banks and others	1,938	4,043	2,247
Debentures	9,600	5,410	9,248
Convertible liability	165	176	-
Liabilities for employee benefits	-	10	-
Lease liability	-	763	3
Financial derivatives	123	54	76
Provisions and other liabilities	5,443	5,597	5,265
Deferred taxes	1,450	1,909	1,433
	18,719	17,962	18,272
Capital			
Share capital	18	13	18
Share premium	2,361	1,919	2,341
Proceeds for conversion options	35	18	38
Retained earnings	1,868	640	1,589 *)
Foreign currency translation differences for foreign operations	(723)	(311)	(933)
Capital reserve from transactions with non-controlling interests	(678)	(665)	(677)
Other reserves	(135)	963	24
Treasury shares	(314)	(314)	(314)
Total equity attributable to shareholders of the Company	2,432	2,263	2,086
Non-controlling interests	3,484	3,934	3,164
Total capital	5,916	6,197	5,250
	35,637	44,911	34,427

*) Retrospective reconciliation – see Note 3B(1)

May 30, 2021			
Approval date of the financial statements	Gabriel Last Chairman of the Board of Directors	Idan Wallace CEO	Tamir Polikar Executive VP and CFO

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

Consolidated Statements of Income

	Three months ended March 31		Year ended December 31
	2021	2020 *)	2020
	Unaudited		Audited
	NIS millions (Other net earnings (loss) per share)		
Revenue	1,910	1,880	6,671
Cost of revenues	981	1,055	3,536
Gross profit	929	825	3,135
General and administrative expenses	36	50	241
Group share in profits (losses) of operational associates, net	4	-	(15)
Other expenses, net	26	3,468	2,973
Operating profit (loss)	871	(2,693)	(94)
Financing income	76	55	382
Financing expenses	(452)	(739)	(2,294)
	495	(3,377)	(2,006)
Group share in profits of associates, net	-	2	5
Profit (loss) before taxes on income	495	(3,375)	(2,001)
Taxes on income (tax benefit)	122	(980)	(406)
Profit (loss) from continuing operations	373	(2,395)	(1,595)
Profit (loss) from discontinued operations, net	74	(315)	(158) **)
Net profit (loss)	447	(2,710)	(1,753)
Attributable to:			
Shareholders of the Company	279	(2,766)	(1,817)
Non-controlling interests	168	56	64
	447	(2,710)	(1,753)
Net earnings (loss) per share attributable to shareholders of the Company (NIS)			
Basic earnings (loss) from continuing operations	12.2	(214.9)	(125.0) **)
Basic earnings (loss) from discontinued operations	4.4	(27.6)	(11.9) **)
Basic earnings (loss)	16.6	(242.5)	(136.9)
Diluted earnings (loss) from continuing operations	11.5	(214.9)	(125.0) **)
Diluted earnings (loss) from discontinued operations	4.2	(27.6)	(11.9) **)
Diluted earnings (loss)	15.7	(242.5)	(136.9)

*) Reclassified – see Notes 3B(2) and 3B(3)
**) Retrospective reconciliation – see Note 3B(1)

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

Consolidated Statements of Comprehensive Income

	Three months ended March 31		Year ended December 31
	2021	2020 *)	2020
	Unaudited		Audited
	NIS millions		
Net profit (loss)	447	(2,710)	(1,753) **)
Other comprehensive income (loss) (net of tax effect):			
Amounts not reclassified to profit or loss:			
Profit (loss) from investment in equity instruments measured at fair value through other comprehensive income	72	(149)	(101)
Revaluation for transfer from fixed assets to investment property	-	-	27
Total	72	(149)	(74)
Amounts classified or reclassified to profit or loss under specific conditions:			
Profit from financial assets at fair value through other comprehensive income	-	9	-
Profit (loss) from cash flow hedges	(225)	1,186	645
Transfer to statement of income for cash flow hedges	7	(131)	(570)
Foreign currency translation differences for foreign operations	348	401	(594)
Transfer to profit or loss for foreign currency translation differences for foreign operations	-	15	28
Other comprehensive loss attributable to associates, net	-	(2)	(2)
Total	130	1,478	(493)
Total other comprehensive income (loss) from continuing operations	202	1,329	(567)
Total comprehensive income (loss)	649	(1,381)	(2,320)
Attributable to:			
Shareholders of the Company	330	(1,479)	(2,091)
Non-controlling interests	319	98	(229)
	649	(1,381)	(2,320)

*) Reclassified – see Notes 3B(2) and 3B(3)
**) Retrospective reconciliation – see Note 3B(1)

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

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for conversion options	Retained earnings	Foreign currency translation differences for foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total capital
	Unaudited										
	NIS millions										
Balance as at January 1, 2021 (audited) ***)	18	2,341	38	1,589	(933)	(677)	24	(314)	2,086	3,164	5,250
Net profit (loss)	-	-	-	279	-	-	-	-	279	168	447
Other comprehensive income	-	-	-	-	210	-	(159)	-	51	151	202
Total comprehensive income (loss)	-	-	-	279	210	-	(159)	-	330	319 **)	649
Exercise of options for shares	-	20	(3)	-	-	-	-	-	17	-	17
Transactions with non-controlling interests	-	-	-	-	-	(1)	-	-	(1)	1	-
Balance as at March 31, 2021	18	2,361	35	1,868	(723)	(678)	(135)	(314)	2,432	3,484	5,916

*) Mainly capital reserve for cash flow hedges

**) Composition of comprehensive income of non-controlling interests:

Net profit attributable to non-controlling interests	168
Loss for financial assets measured at fair value through other comprehensive income, net	14
Foreign currency translation differences for foreign operations	137
Total comprehensive income attributable to non-controlling interests	319

***) Retrospective reconciliation - see Note 3B

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

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for conversion options	Retained earnings	Foreign currency translation differences for foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total capital
	Unaudited										
	NIS millions										
Balance as at January 1, 2020 (audited)	13	1,919	18	3,382	(653)	(289)	(3)	(254)	4,133	3,444	7,577
Net profit (loss)	-	-	-	(2,766)	-	-	-	-	(2,766)	56	(2,710)
Other comprehensive income	-	-	-	-	312	-	975	-	1,287	42	1,329
Total comprehensive income (loss)	-	-	-	(2,766)	312	-	975	-	(1,479)	98 **)	(1,381)
Acquisition of treasury shares	-	-	-	-	-	-	-	(60)	(60)	-	(60)
Disposal of revaluation reserve due to disposal of an asset	-	-	-	24	-	-	(24)	-	-	-	-
Acquisition of shares from non-controlling interests	-	-	-	-	-	(2)	-	-	(2)	(5)	(7)
Sale of shares to non-controlling interests	-	-	-	-	30	(374)	15	-	(329)	405	76
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(8)	(8)
Balance as at March 31, 2020	13	1,919	18	640	(311)	(665)	963	(314)	2,263	3,934	6,197

*) Mainly capital reserve for cash flow hedges

**) Composition of comprehensive income of non-controlling interests:

Net profit attributable to non-controlling interests	56
Loss for financial assets measured at fair value through other comprehensive income, net	(51)
Loss from cash flow hedges	(9)
Foreign currency translation differences for foreign operations	102
Total comprehensive income attributable to non-controlling interests	98

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

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for options and conversion option	Retained earnings	Foreign currency translation differences for foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total capital
	Audited										
	NIS millions										
Balance as at December 31, 2019	13	1,919	18	3,382	(653)	(289)	(3)	(254)	4,133	3,444	7,577
Net profit (loss) **)	-	-	-	(1,817)	-	-	-	-	(1,817)	64	(1,753)
Other comprehensive income (loss)	-	-	-	-	(310)	-	36	-	(274)	(293)	(567)
Total comprehensive income (loss)	-	-	-	(1,817)	(310)	-	36	-	(2,091)	(229) *)	(2,320)
Issue of shares and options, net	4	301	42	-	-	-	-	-	347	-	347
Exercise of options for shares	1	114	(15)	-	-	-	-	-	100	-	100
Expired options	-	7	(7)	-	-	-	-	-	-	-	-
Disposal of revaluation reserve due to disposal of an asset	-	-	-	24	-	-	(24)	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	-	(60)	(60)	-	(60)
Acquisition of shares from non-controlling interests	-	-	-	-	-	(7)	-	-	(7)	(5)	(12)
Deconsolidation	-	-	-	-	-	-	-	-	-	(221)	(221)
Sale of shares to non-controlling interests	-	-	-	-	30	(381)	15	-	(336)	407	71
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(232)	(232)
Balance as at December 31, 2020 **)	18	2,341	38	1,589	(933)	(677)	24	(314)	2,086	3,164	5,250

*) Composition of comprehensive income of non-controlling interests:

Net profit attributable to non-controlling interests	64
Profit from financial assets at fair value through other comprehensive income, net	(41)
Profit from cash flow hedges	6
Foreign currency translation differences for foreign operations	(258)
Total comprehensive income attributable to non-controlling interests	(229)

**) Retrospective reconciliation - see Note 3B

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

Consolidated Statements of Cash Flows

	Three months ended March 31		Year ended December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
Cash flows from operating activities			
Net profit (loss)	447	(2,710)	(1,753) *)
Adjustments to reconcile cash flows from operating activities (a)	779	3,552	4,920 *)
Net cash from operating activities	1,226	842	3,167
Cash flows from investing activities			
Purchase of fixed assets, investment property and intangible assets	-	(17)	(53)
Proceeds from sale of fixed assets and investment property	-	31	35
Proceeds from sale (acquisition) of financial assets, net	23	(14)	440
Repayment (provision) of loans to associates, net	-	(1)	3
Short-term investments, net	(162)	(347)	(284)
Disposal of (investment in) long-term bank deposits, net	(5)	(108)	16
Investments in oil and gas exploration and assets	(286)	(418)	(1,170)
Insurance proceeds	-	-	65
Cash received from disposal of investments in previously reported consolidated subsidiaries (B)	-	-	1,263
Cash flows used for acquisition of control in companies and operations (C)	-	(7)	(7)
Proceeds from disposal of an investment in associates	75	169	169
Investments in associates	-	-	(1)
Repayment of loans provided to others, net	79	68	92
Net cash from (used for) investing activities	(276)	(644)	568

*) Retrospective reconciliation - see Note 3B

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

Consolidated Statements of Cash Flows

	Three months ended March 31		Year ended December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
Cash flow from financing activities			
Short-term loans from banks and others, net	-	229	(1,161)
Transactions with non-controlling interests	-	(137)	(137)
Receipt of long-term loans	104	-	113
Repayment of long-term loans	(603)	(809)	(9,585)
Dividend paid to non-controlling interests	(57)	(47)	(190)
Acquisition of treasury shares by a subsidiary partnership		(60)	(60)
Issue of shares (net of issuance costs)	-	-	347
Issue of options (net of selling cost)	17	-	100
Advance payment on account of share issuance	7	-	-
Repayment of lease liabilities	-	(34)	(123)
Payment for a put option and other contingent considerations	-	-	(200)
Issue of debentures and convertible debentures into shares (less issuance costs)	-	-	8,145
Repayment of debentures	(273)	(299)	(2,043)
Net cash used for financing activities	(805)	(1,157)	(4,794)
Exchange differences on cash balances of foreign operations	14	9	(35)
Change in cash and cash equivalents attributable to operations held for sale	-	-	(21)
Increase (decrease) in cash and cash equivalents	159	(950)	(1,115)
Cash and cash equivalents at the beginning of the period:	402	1,517	1,517
Cash and cash equivalents at the end of the period	561	567	402

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

Consolidated Statements of Cash Flows

	Three months ended March 31		Year ended December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
(A) Adjustments to reconcile cash flows from operating activities:			
Adjustments to profit or loss			
Depreciation, depletion, amortization, and impairment of assets	454	4,549	5,004
Deferred taxes, net	95	(1,089)	(613)
Decrease in employee benefit liabilities, net	-	(1)	(3)
Increase in the value of loans granted, net	(70)	(145)	(26)
Loss (profit) from the sale of fixed assets, real estate and investments, net	(7)	(20)	220 **)
Group's share of results of associates, net (1)	(4)	(3)	14
Change in fair value of financial assets and financial derivatives, net	(146)	381	184
Increase in long-term liabilities, net	22	20	133
Cost of share-based payment	-	(5)	(5)
Proceeds received for hedging swaps	-	138	547
Change in value of investment property, net	3	4	(3)
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	21	(65)	(50)
Decrease in other receivables	72	81	152
Decrease (increase) in inventory	(66)	51	22
Increase in other assets, net	(6)	(3)	(19)
Increase (decrease) in trade payables	112	(75)	(105)
Increase (decrease) in other accounts payable	299	(266)	(532)
	779	3,552	4,920

*) Retrospective reconciliation - see Note 3B

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

Consolidated Statements of Cash Flows

		Three months ended March 31		Year ended December 31
		2021	2020	2020
		Unaudited		Audited
		NIS millions		
(B)	Cash added (deducted) from disposal of investments in previously consolidated companies			
	Working capital (excluding cash and cash equivalents), net	-	-	(384)
	Investments in oil and gas exploration and production assets	-	-	550
	Long-term assets	-	-	1,143
	Intangible assets	-	-	331
	Long-term liabilities	-	-	(1,045)
	Assets held for sale	-	-	853
	Other long-term assets	-	-	1,294
	Liabilities attributable to assets held for sale	-	-	(516)
	Deferred taxes	-	-	(145)
	Investment in an associate company	-	-	(407)
	Movement in capital reserves, net	-	-	15
	Loss from disposal of investments	-	-	(205)
	Non-controlling interests	-	-	(221)
		-	-	1,263
(c)	Investment derecognized for acquisition of control in companies and joint operations			
	Working capital (excluding cash and cash equivalents), net	-	2	2
	Fixed assets, net	-	(9)	(9)
		-	(7)	(7)
(D)	Significant non-cash activities			
	Purchase of fixed assets, investment property, and intangible assets	-	6	9
	Investment in oil and gas assets against a liability	53	159	177
	Dividend to non-controlling interests	-	-	53
	Repayment of a liability to a bank against the sale of participating units in a subsidiary partnership	-	207	207

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

Consolidated Statements of Cash Flows

	Three months ended March 31		Year ended December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		

(e) Additional information on cash flows

Cash paid during the period for:

Interest	186	371	1,673
Taxes	3	5	311

Cash received during the period for:

Interest	-	7	9
Taxes	6	1	1

(F) For information about cash flows from discontinued operations see Notes 3B(2) and 3B(3).

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

NOTE 1 – GENERAL

A. Delek Group Ltd. ("the Company") invests in and manages companies and partnerships operating primarily in oil and gas exploration and production in Israel and other countries (in the North Sea).
These financial statements have been prepared in condensed format as at March 31, 2021 and for the three months then ended ("the Consolidated Interim Financial Statements"). The financial statements should be read in the context of the Company's annual financial statements as at December 31, 2020 for the year then ended, and their accompanying notes ("the Annual Financial Statements").

B. Financial position of the Company

1. General

In 2020, the Covid-19 pandemic broke out (and it is still ongoing), which resulted in a significant slowdown in the local and global economy and a significant drop in oil and gas prices over a long period (which had an adverse effect on the Group's main activity). As at the approval date of the financial statements, there is uncertainty regarding when the pandemic will be contained and/or will break out again and regarding the continuation and/or deepening of the global economic crisis, and future oil and natural gas prices.
For information about the effect of the decrease in oil and gas prices on the Group, including the decrease in the market value of collaterals, the downgrading of the Company's debentures, and the deterioration in the debt to value ratio of the Company's assets, see Notes 1B and 1C to the Annual Financial Statements.
Further to the above, in 2020, there were events that are considered or may be considered as events of default for the liabilities of the Company and the staff companies to financial institutions and debenture holders. For information about the agreements and the amendments to the deeds of trust approved with the Company's debenture holders on June 17, 2020 and May 30, 2021, and the standstill agreement with some of the banks, under which the grounds for calling for immediate payment were revised and/or frozen, see section 3 below, Note 11 below, and Note 19 to the Annual Financial Statements.

2. Financial position of the Company

- As at March 31, 2021, the Company (separate) has a working capital deficit of NIS 5 billion, and the Group (consolidated) has a working capital deficit of NIS 4 billion, mainly due to classification of debentures (over and above current maturities) in the amount of NIS 4.2 billion to short term. This classification is mainly because some of the waiver items in the amended deed of trust of the debentures series of June 2020 (see Note 19 to the Annual Financial Statements) are for less than twelve months from the date of the financial statements.
- According to the original repayment schedules, in the period between April 2021 and March 2022, the Company and the staff companies have repayments (of principal and interest) amounting to NIS 2.4 billion and in the period between April 2022 and March 2023, another NIS 1.2 billion.

NOTE 1: GENERAL (CONTD.)

B. Financial position of the Company (contd.)

3. Discussions and agreements with representatives of the debenture holders and the banks on the outline for reinforcing capital and collateral

As set out in Note 1C(3) to the Annual Financial Statements, under the agreements with the representatives of the debenture holders and the banks reached by the Company in 2020, events and covenants were set out, which, if breached, will allow the debenture holders and the banks to call for immediate repayment of the Company's liabilities to them. For information about the events and covenants established in the agreements, see Notes 1C and 19G to the Annual Financial Statements.

Below are the main grounds for immediate repayment set out in the amendment to the deed of trust of June 2020 with the holders of the debentures:

- Minimum equity: up to the financial statements for the second quarter of 2021, there will be no grounds for immediate repayment in relation to the minimum equity. For the financial statements as from the second quarter of 2021 report through to the annual financial statements for 2021, there will be grounds for immediate repayment if the equity falls below NIS 1.6 billion; for all financial statements for 2022 (including quarterly statements), NIS 2 billion; for all financial statements for 2023 (including quarterly reports), NIS 2.4 billion; and as from the statements for the first quarter of 2024, NIS 2.6 billion. Failure to comply with the standard in any of the foregoing financial statements will constitute grounds for immediate repayment.
- Equity to balance sheet ratio: up to the publication date of the statements for the first quarter of 2021, the grounds for immediate repayment included in the deeds of trust regarding the equity to balance sheet ratio will not apply. For the statements as from the second quarter of 2021 and up to the financial statements for 2021, the equity to total balance sheet ratio in accordance with the separate financial statements falls below 12.5% over two consecutive quarters. This ratio rises gradually over subsequent years, so that as from the first quarter of 2024, the debenture holders will have grounds to call for immediate repayment if the equity to total balance sheet ratio in accordance with the Company’s separate financial statements falls below 20% over two consecutive quarters.
- Low rating - until May 31, 2021, the trustee and debenture holders will not have the right to call for immediate repayment of the debentures due to a rating that is lower than BBB-). As from June 1, 2021, the debenture holders will have the right to call for immediate repayment if the debenture rating is lower than BBB-. On May 30, 2021, another amendment to the trust deed was approved and the date for assessing the Company's compliance with the rating was postponed. For further information see Note 11 below.
- If another creditor of the Company or creditors of the Company’s subsidiaries call for payment of their debt (in accordance with the quantitative thresholds set out in the amendment to the deed of trust), and in certain cases, they also have grounds to call for immediate repayment, this will constitute grounds to call for immediate repayment of the debentures.

NOTE 1: GENERAL (CONTD.)

B. Financial position of the Company (contd.)

3. Discussions and agreements with representatives of the debenture holders and the banks on the outline for reinforcing capital and collateral (contd.)

In the effective period: general and administrative expenses in 2020, including those of the Staff Companies, will not exceed (including the costs of the amendment to the deed of trust) those in 2019, based on the Company's financial statements. In 2021, they will not exceed NIS 45 million; in 2022, NIS 40 million; and from 2023, NIS 35 million. In this context, it should be noted that the covenants included the covenant in respect of the Company's general and administrative expenses, and among other things, it was determined that in 2020, general and administrative expenses, including the those of the staff companies, will not exceed those in the Company's financial statements for 2019 (including the costs of the draft amendment to the deed of trust). Further to Note 1C(3) to the Annual Financial Statements, it should be noted that in 2020, the Company's administrative and general expenses, including those of the staff companies (including the costs of the amendment to the deed), exceeded those of 2019 by NIS 5.4 million and the Company did not meet the aforesaid undertaking. However, following discussions that began in 2020 between DKL (a staff company) and Ithaca, in March 2021, it was agreed that Ithaca will participate in DKL's management expenses for 2020. Accordingly, in March 2021, Ithaca transferred an additional amount of USD 1.7 million (NIS 5.7 million) over and above the amount of USD 0.7 million that has already been transferred by Ithaca for these expenses. The additional amount transferred exceeds the deviation attributed to 2020. Therefore, the Company believes, based also on a legal opinion that it received, that the above non-compliance has been amended.

- In addition, the deeds of trust of the debentures include grounds for immediate repayment in the event of a change of control (below 30%) which could impair the Group's solvency.

Subsequent to the balance sheet date, on May 30, 2021, the general meeting of the debenture holders approved an additional amendment to the deed of trust, in which the Company's compliance with some of the conditions was postponed to various dates and additional conditions were set for the Company to meet. For information about the amendment to the deed of trust see Note 11 below.

4. Disposal of assets and investments and raising capital and debt in the reporting period

- Further to Note 1C(4) to the Annual Financial Statements regarding disposal of the Group's investment in Delek Israel, in the reporting period, the buyer exercised the option to acquire 5% of Delek Israel's issued and paid-up capital and paid half of the deferred consideration. Consequently, the total consideration received by the Group amounted to NIS 75 million. The balance of the additional shares, representing 5%, are deposited in trust until June 30, 2021. For further information see Note 3B below.
- In the reporting period and subsequent to the balance sheet date, options were exercised for the Company's shares in the amount of NIS 38 million, and shares were issued in the amount of NIS 10 million. For further information see Note 8 below.
- In January 2021, the Company received a loan of NIS 104 million from a third party, against a lien on a building in Herzliya that it owns. The loan is payable in January 2024. The proceeds of the loan were mainly used to repay a previous loan taken in connection with the property. For further information see Note 6A below.

NOTE 1: GENERAL (CONTD.)

B. The Covid-19 pandemic and the Company's financial position (contd.)

4. Disposal of assets and investments and raising capital and debt in the reporting period (contd.)

- Subsequent to the balance sheet date, in April 2021, the Company signed an agreement for a credit facility from a third party, in the amount of NIS 200 million. The loans to be drawn under the facility will be repaid in equal half-yearly instalments from February 2023 until August 2025. For further information see Note 6B below.
- In March 2021, the Group signed a detailed agreement for the sale of investment property in Acre for NIS 200 million as is. For further information see Note 4 below.
- In addition, the Group is assessing the disposal of additional assets (including a capital process regarding the Group's investment in Ithaca) and the receipt of loans and/or the partial exchange of the debentures.

5. Conclusion

Under the agreements with the debenture holders and the financial institutions, and for the Company and the staff companies to meet repayment of their liabilities, the Company was required to raise capital, dispose of assets and investments on a substantial scale, raise debt based on assets, and receive dividends from investees. The amounts of these sources are required for the repayment of the liabilities of the Company and the staff companies, which are very substantial (in the period from April 1, 2021 to December 31, 2021, the Company and the staff companies are required to repay the liabilities to debenture holders, financial institutions, and others in an amount of NIS 1 billion, in 2022; in an amount of NIS 2.1 billion; and in the first quarter of 2023, an amount of NIS 0.8 billion).

As aforesaid, repayment of the liabilities of the Company and the staff companies at their due date is subject to their ability to dispose of assets and investments on a significant scale; raise debt and capital on a significant scale; and receive dividends from investees and partnerships.
It should be noted that the Company's ability to receive substantial dividends from investees refers mainly to the receipt of dividends from Delek Drilling and Ithaca. The ability of these companies to distribute dividends is subject, among other things, to their compliance with the financial covenants and obtaining the approval of financing entities and/or their ability to generate significant available cash flows, which is also dependent on the demand for oil and natural gas and prices of oil and natural gas. In 2020, Ithaca distributed a dividend of USD 120 million and in May 2021, a dividend of USD 15 million. In addition, Delek Drilling distributed a dividend of USD 100 million (the Group's share is NIS 185 million).

NOTE 1: GENERAL (CONTD.)

B. The Covid-19 pandemic and the Company's financial position (contd.)

5. Conclusion (contd.)

As aforesaid, the Company worked and is working to realize its plans, including the raising of capital, disposal of substantial assets and investments, raising of debt based on assets and receipt of dividends from investees, in order to meet its various obligations. The Company believes that it is highly likely that its plans will be realized, and in this context, it should be noted that, as set out above, the significant and important actions that the Group was able to complete in the past year in accordance with the outline enabled it to make early repayments to the banks in substantial amounts and to the debenture holders on time and as required. However, since completion of the Company's plans is not under its sole control and depends, as described above, among other things, on third parties and/or the materialization of several incremental events, some of which must occur within relatively short periods and/or in a significant scope, and in view of the financial covenants that were determined with the debenture holders and other lenders that may require their consent not to call for immediate repayment (in the event of non-compliance with the covenants), there is uncertainty as to the actual materialization of these plans. These factors, together with the other factors described above, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include adjustments for the values of assets and liabilities and their classification, which might be required if the Company is unable to continue as a going concern.

D. Financial positions of subsidiaries

1. Delek Drilling

As at March 31, 2021, Delek Drilling has a working capital deficit from continuing operations in the amount of USD 90 million (NIS 300 million), arising mainly from Series A debentures repayable in December 2021. On May 18, 2021, the board of directors of the general partner resolved that the deficit does not indicate a liquidity problem in the Partnership and that it will have sufficient resources in the coming year to finance its activities and/or meet its existing and expected obligations. It should be noted that the current net liabilities include Tamar Bond debentures in the amount of USD 575 million (NIS 1.9 billion) (net of a safety cushion of USD 60 million (NIS 200 million), presented in current assets) which have been reclassified from long term to short term and are expected to be repaid prematurely together with one half of Debentures (Series A) in the amount of up to USD 200 million (NIS 667 million) upon the sale of the Partnership's holdings in the Tamar and Dalit leases, as set out in Note 5B(2) below.

2. Ithaca

As at March 31, 2021, Ithaca has a working capital deficit of USD 214 million (NIS 710 million).

In May 2021, Ithaca distributed a dividend of USD 15 million (NIS 50 million), in addition to the dividend of USD 120 million (NIS 400 million) distributed in 2020.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

A. Preparation format of the Consolidated Interim Financial Statements

The Consolidated Interim Financial Statements have been prepared in accordance with generally accepted accounting principles for the preparation of interim financial statements as prescribed in IAS 34, Interim Financial Reporting and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.
The main accounting policy and calculation methods applied in the preparation of these Consolidated Interim Financial Statements are consistent with those applied in the preparation of the Annual Financial Statements, except for the following:

B. Initial application of amendments to existing accounting standards

Amendments to IFRS 16, IFRS 7, IFRS 9 and IAS 39 regarding the IBOR interest rate reform

In August 2020, the IASB issued amendments to IFRS 9, Financial Instruments; IFRS 7, Financial Instruments: Disclosures; IAS 39, Financial Instruments: Recognition and Measurement; and IFRS 16, Leases ("the Amendments").

The Amendments include practical expedients regarding the accounting treatment of the financial statements when the interest rate benchmark (interbank offered rates - IBORs) is replaced with risk-free rates (RFRs).

Based on one of the practical expedients, the Company will account for contractual changes or changes to cash flows that are directly required by the reform in the same way as the accounting treatment for changes to variable interest. Meaning, the Company is required to recognize the modifications in interest rates by adjusting the effective interest rate without adjusting the carrying amount of the financial instrument. The use of this practical expedient is subject to the transition from IBOR to RFR taking place on an economically equivalent basis.

The Amendments also permit changes required by the IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued when certain conditions are fulfilled. The Amendments provide temporary relief regarding hedge accounting related to a risk defined as 'separately identifiable'.

The Amendments include additional disclosures regarding the anticipated effect of the reform on the Company's financial statements, including reference to how the Company manages the implementation of the interest rate reform, the risks to which it is exposed as a result of the expected reform, and quantitative disclosures about financial instruments at IBOR interest that are expected to change.

The Amendments were applied as from annual periods beginning on January 1, 2021. The Amendments were applied retrospectively, however restatement of comparative figures is not required.
The above Amendments did not have a material effect on the Group's interim financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

C. New standards in the period prior to their application

Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors (“the Amendment”) in which it introduces a new definition of “accounting estimates”.
Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty”. The Amendment clarifies what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.
The Amendment is applicable on a prospective basis for annual periods beginning on January 1, 2023 and it applies to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted.

NOTE 3: INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS

A. Transaction for the sale of shares of The Phoenix Holdings Ltd. (“The Phoenix”)

Further to Note 10E(1) to the Annual Financial Statements, regarding the sale of The Phoenix shares and regarding the loan provided to the buyers and components of future contingent consideration (jointly: “the Future Consideration”), measured in the financial statements at fair value, as at March 31, 2021, the Company, through an external valuator, measured the value of the Future Consideration. As at March 31, 2021, the fair value of the Future Consideration amounted to NIS 213 million (as at December 31, 2020, NIS 143 million). The profit generated for the Company's shareholders as a result of revaluation of the Future Consideration, as set out above, amounted to NIS 70 million in the first quarter of 2021 and is included in the statement of income under profit (loss) from discontinued operations. The fair value of the future consideration was estimated by the valuator using the Monte Carlo model, assuming risk neutrality. In view of the above, the annual return on The Phoenix shares as well as the capital price were estimated at a rate of 0.35%. In addition, the annual standard deviation was estimated at 30.8% and the rate of the annual dividend to be distributed was estimated at 2.12% of the share value at the end of each quarter.

It should be noted that subsequent to the balance sheet date, on April 18, 2021, The Phoenix distributed a dividend. Under the agreements between the Company and the buyers, when The Phoenix distributes a dividend, the buyers are required to repay amounts of the subordinated loan provided to the buyers by the Company. Accordingly, in April 2021, the buyers paid the Company an amount of NIS 35 million. In addition, the buyers repaid an amount of NIS 33 million out of the senior loan received by the buyers from financial institutions and for which the Company signed a credit support document. Subsequent to the repayment, the balance of the senior loan amounts to NIS 514 million.

B. Delek Israel

1. As set out in Note 10J(4) to the Annual Financial Statements, in October 2020, Delek Petroleum sold 70% of the share capital of Delek Israel for a consideration of NIS 525 million. Of this amount, a total of NIS 75 million is deferred consideration which the buyer will transfer to Delek Petroleum by June 30, 2021, against 10% of the share capital of Delek Israel (“the Deferred Shares”). The buyer was also granted an option to acquire an additional 5% of the share capital of Delek Israel at the same share price set out in the sale transaction.

NOTE 3: INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

B. Delek Israel (contd.)

1 (contd.)

In February 2021, the Buyer transferred half of the deferred consideration in the amount of NIS 37.5 million to the Group, against the transfer of 5% of Delek Israel's capital. In addition, the Buyer exercised part of the option granted to it and acquired 1.66% of Delek Israel's capital for a consideration of NIS 12.5 million. In March 2021, the buyer exercised the balance of the option granted to it and acquired 3.34% for a consideration of NIS 25 million. In view of the above, as at March 31, 2021, the Group holds 30% of the issued and paid-up capital of Delek Israel (5% of the share capital of Delek Israel, which constitutes the balance of the Deferred Shares held in trust until the deferred consideration is transferred). As a result of the disposals, the Company recorded a profit of NIS 7 million under profit (loss) from discontinued operations.

As set out in Note 10J(4) to the Annual Financial Statements, the balance of the investment in Delek Israel and the options granted to the buyer were measured at the time of loss of control in accordance with the fair value estimate, while, as at the publication date of the Annual Financial Statements, the fair value measurement and its attribution to the assets and liabilities of Delek Israel have not yet been completed (and are temporary) and they can be completed no later than one year after completion of the transaction. In the reporting period the Company completed the fair value measurement of the balance of the investment and the options, based on a valuation of Delek Israel performed by an outside valuator. The valuation was performed using the discounted cash flow method based on the following main assumptions: an increase of 5.5% in convenience store revenue in 2021 and 2% in subsequent years until 2030; an increase of 1.5% in fuel quantities sold at gas stations in the period up to 2024, which will decrease to 0.5% in 2030; partial recovery in gross profit in the trade sector; a discount rate of 8%.

According to the valuation, the fair value of Delek Israel as at the time of loss of control is estimated at NIS 1,017 million, therefore the value of the Group's investment in Delek Israel as at that date (40%) is estimated at NIS 407 million (instead of NIS 300 million as reported in the Annual Financial Statements) and the value of the options for the buyers is estimated at a liability of NIS 50 million (instead of an insignificant amount in the Annual Financial Statements). In addition, profit from disposal of the investment in Delek Israel increased by NIS 57 million out of NIS 74 million as reported in the Annual Financial Statements, to NIS 131 million. The effect of the update is included in these financial statements by way of retroactive reconciliation of the Group's results for 2020.

Subsequent to the loss of control, the investment in Delek Israel is accounted for using the equity method.

NOTE 3: INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

B. Delek Israel (contd.)

2. The operating results of Delek Israel up to the date of loss of control, including profit from the disposal, are presented under profit (loss) from discontinued operations, net, with comparative figures reclassified to this item accordingly.

A) Operating results of Delek Israel presented in profit (loss) from discontinued operations, net:

	Three months ended March 31		Year ended December 31
	2021	2020	2020
	Unaudited		Audited *)
	NIS millions		
Revenue	-	955	2,193
Cost of revenues	-	852	1,774
Gross profit		103	419
Selling, marketing and gas station operating expenses	-	121	342
General and administrative expenses	-	26	61
Group share in profits of operating associates	-	1	2
Other expenses, net	-	(93)	(143)
Operating loss	-	(136)	(125)
Financing expenses (income)	-	15	(11)
Cash flow before taxes		(151)	(114)
Taxes on income (tax benefit)	-	(40)	11
		(111)	(125)
Profit on disposal of an operation	7	-	131
Profit (loss) from discontinued operations	7	(111)	6

*) Up to the date of loss of control in Delek Israel

NOTE 3: INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

B. Delek Israel (contd.)

2. (contd.)

B) Composition of net cash flows attributable to the discontinued operations of Delek Israel:

	Three months ended March 31		Year ended December 31
	2021	2020	2020 *)
	Unaudited		Audited
	NIS millions		
Net cash from operating activities	-	31	283
Net cash from (used for) investing activities	-	(48)	563
Net cash from (used for) financing activities	-	19	(876)
	-	2	(30)

*) Up to the date of loss of control in Delek Israel

3. As set out in Note 10J(1) to the Annual Financial Statements, in the reporting period, the transaction was completed and Delek Israel sold 100% of the shares of IPP Ashkelon Ltd. and IPP Sorek Ltd., which operated the Group's power plants. The operating results of the power plants are presented under profit (loss) from discontinued operations, net, with comparative figures reclassified to this item accordingly.

A) Operating results of power plants presented under profit (loss) from discontinued operations:

	Three months ended March 31		Year ended December 31
	2021	2020	2020 *)
	Unaudited		Audited
	NIS millions		
Revenue	-	118	362
Cost of revenues	-	121	335
Gross profit (loss)	-	(3)	27
General and administrative expenses	-	1	3
Operating profit (loss)	-	(4)	24
Financing expenses	-	(14)	(30)
Loss before impairment of investment	-	(18)	(6)
Impairment of an investment	-	(174)	(191)
Loss from discontinued operations	-	(192)	(197)

*) Up to the date of loss of control in Delek Israel

NOTE 3: INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

B. Delek Israel (contd.)

3. (contd.)

B) Composition of net cash flows attributable to discontinued operations of power plants:

	Three months ended March 31		Year ended December 31
	2021	2020	2020 *)
	Unaudited		Audited
	NIS millions		
Net cash from operating activities	-	4	37
Net cash from investing activities	-	4	6
Net cash from (used for) financing activities	-	1	(23)
	-	9	20

*) Up to the date of loss of control in Delek Israel

C. Delek Drilling

Subsequent to the balance sheet date, on May 4, 2021, the general partner and the trustee petitioned the court to exercise its authority under Sections 350 and 351 of the Companies Law, 1999 ("the Companies Law"), and order a general meeting of the holders of participating units issued by the trustee ("the Participating Units"), to discuss approval of an arrangement concerning the exchange of the Participating Units for ordinary shares of a new company, New Med Energy Plc. ("New Med"), incorporated in England, which will hold the entire rights of the trustee and the general partner in the Partnership (100%) ("the Arrangement"). New Med's shares will be listed concurrently on the TASE and the London Stock Exchange on the Standard Main Market list. The general partner will assign the management rights in the Partnership to a new general partner that will be wholly owned and fully controlled (100%) by New Med. Under the Arrangement and if it is approved, the current limited partnership agreement will be revised in order to adjust it to the new corporate structure and to make the Partnership a private partnership wholly owned and fully controlled (100%) by New Med. The purpose of the Arrangement is to apply the following restructuring in the rights of holders of the Participating Units as at the closing date of the Arrangement: (1) New Med will hold full ownership and control of the Partnership (100%) as set out above; (2) Delek Group and the public investing in the Participating Units will hold, instead of the participating units that they held (and which conferred on them the right to participate in the Company's rights in the Partnership), shares in New Med, which will confer on them 99.99% of its share capital ("the Exchange of Units"). The holding in New Med's shares on the closing date of the Arrangement will be according to the rate of their holdings in the Participating Units on the effective date for closing the Arrangement (pro rata). Consequently, the Company will hold the majority of New Med's shares by virtue of its holdings upon the closing of the Arrangement, if closed, and it will be deemed the controlling shareholder of New Med; (3) the present general partner (which will continue to be held by the Company) will hold New Med shares that confer 0.01% of its share capital (in addition to New Med shares to be allotted under the Exchange of Units for the Participation Units that it currently holds), however it will stop being the Partnership's general partner and will assign the management rights in the Partnership to a new general partner which will be wholly owned and fully controlled (100%) by New Med; and (4) the Partnership itself will remain as is, without any change, for all its operations and with all its assets and liabilities, including its obligations to pay royalties, remaining unchanged (including an obligation to pay royalties to the Group), although with respect to additional rights or new oil assets that New Med will acquire in the future (after the closing of the Arrangement) the royalty holders will not be entitled to a royalty for them, insofar as the new rights are not acquired by the Partnership but rather by New Med or its other subsidiaries.

NOTE 3: INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

C. Delek Drilling (contd.)

The Partnership is expected to retain its status as a “reporting corporation” until the final repayment of Debentures (Series A), which, according to their terms, will be on December 31, 2021. Following the closing of the Arrangement and the listing of New Med’s shares on the London Stock Exchange and the TASE, New Med will be subject to two reporting regimes: the reporting regime under English law applicable in England to an English company listed on the London Stock Exchange, and the reporting regime applicable to a “reporting corporation” under the Israel Securities Law. In addition, New Med and the holders of its shares will be subject to a tax regime derived from New Med’s tax status, which is different to the special tax regime in Israeli law for public oil partnerships traded on the stock exchange and for the holders of the Participating Units.

Implementation of the proposed Arrangement and its closing are subject to standard preconditions and to obtaining all of the required approvals, which include approval of the proposed Arrangement by the general meeting of the unit holders, in accordance with the majority required under Sections 350 and 351 of the Companies Law and, for the sake of caution, also as a special majority resolution; approval of the proposed Arrangement by the court in accordance with Sections 350 and 351 of the Companies Law; approval by the competent authority in England for the publication of the English prospectus and the listing of New Med’s shares on the London Stock Exchange; receipt of a tax ruling for implementation of the proposed Arrangement and obtaining regulatory approvals, as required, from the Ministry of Energy in Israel and the competent authority in Cyprus (regarding the Aphrodite oil asset).
Further to filing the motion as aforesaid, on May 11, 2021, holders of the Participating Units filed an objection to the motion with the court and on May 11, 2021 and May 12, 2021, the court handed down its rulings on the objection, according to which a preliminary hearing on the objections will only be held after May 25, 2021, the deadline for filing objections to the motion.
Further to filing the motion, the holders of the Participating Units, the TASE, and the Israel Securities Authority filed objections. After the deadline for filing the objections to the motion, on May 25, 2021, the court ruled that the pretrial hearing on the objections to the motion will be held on June 16, 2021. The applicants may file a written response to the parties' positions by June 9, 2021.

As at the approval date of the financial statements, the Partnership continues to advance approval of the Arrangement, and in this context, it is preparing timetables for implementation of the Arrangement, subject to obtaining of all of the necessary approvals. It is clarified that as at the approval date of the financial statements, it is uncertain when the Arrangement will be approved, if at all, or whether all of the approvals required for its implementation will be obtained.

NOTE 4: INVESTMENT PROPERTY

Further to Note 11D to the Annual Financial Statements regarding the agreement for the sale of investment property in Acre for NIS 200 million as is, in the reporting period, an amount of NIS 10 million was received from the buyer and in addition, subsequent to the reporting date, an amount of NIS 30 million was received, held in escrow for the Group, to be transferred to the Group within one business day after fulfillment of the conditions set out in the agreement. As at March 31, 2021, the real estate is presented in the balance sheet under assets held for sale in the amount of NIS 136 million, based also on the consideration in the sale agreement less provisions for decontamination and other costs.

NOTE 5: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION

The Group operates mainly through Delek Drilling - Limited Partnership ("Delek Drilling" or "the Partnership") in a number of joint ventures for the exploration, development, and production of oil, natural gas, and condensate in the exclusive economic zone of Israel and Cyprus, and sells natural gas and condensate to a variety of customers. The Group also operates through Ithaca in oil and gas exploration and production in the North Sea.

The main changes in the reporting period in these activities appear below:

A. Leviathan project

Considering the volume of production from the Leviathan reservoir in the first quarter of 2021 and to improve redundancies in the production system, the operator, Noble Energy Mediterranean Ltd. ("Noble") recommended that the partners bring forward the drilling of another production well, which was scheduled to be drilled in later years, to the beginning of 2022. As at the approval date of the financial statements, the Leviathan partners approved a budget for the purchase of initial equipment in the amount of USD 14 million (100%, the Partnership's share is USD 6.3 million).

B. Tamar project

1. As set out in Note 12C(1)(6) to the Annual Financial Statements, in view of the Group's commitment to dispose of its holdings in the Tamar and Dalit leases under the Gas Framework (as described in Note 12O to the Annual Financial Statements), due to the tight schedules required for disposal of the investment, as from the Annual Financial Statements as at December 31, 2020, all the assets and liabilities attributable to the Tamar project are recognized under assets held for sale and liabilities attributable to assets held for sale.

2. Subsequent to the balance sheet date, on April 26, 2021, the Partnership signed a memorandum of understanding with investors led by Mubadala Petroleum ("the Buyers") for the sale of its rights in the Tamar project to a company owned by the Buyers ("the Sale Transaction" and "the Buying Company", respectively).

   The MOU sets out commercial principles for a binding agreement in relation to the Sale Transaction ("the Binding Agreement"), as follows:
   - The object of sale includes 22% of the Partnership's rights in each one of the Tamar I/12 and Dalit I/13 leases, and the Partnership's rights in the joint operating agreement that applies to the leases, the Tamar gas agreements, and the related agreements between the partners in the leases ("the Object of Sale"). The Object of the Sale will be transferred to the Buying Company free and clear of liens and third party rights, on an as-is basis, subject to the representations and obligations set out in the Binding Agreement and subject to the Buyer's undertakings to cover the existing royalties for the Partnership's rights in the project.

NOTE 5: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

B. Tamar project (contd.)

2. (contd.)
   - Against receipt of the rights in the Object of Sale, the Buyers will pay up to USD 1.1 billion, which will include non-conditional consideration of USD 1 billion and conditional consideration of up to USD 100 million, payable subject to the fulfillment of certain conditions and targets to be agreed between the parties in the Binding Agreement.
   - The cutoff date for calculation of the consideration for the transfer of rights and liabilities in the Object of Sale is April 1, 2021, and it will be adjusted to the revenues and expenses arising from the Object of Sale from cutoff date.
   - The Binding Agreement will be subject to preconditions, including: (a) approval of the Commissioner of Petroleum Affairs; (b) approval of the general meeting of the unit owners and/or the supervisor of the Partnership (as required); (c) agreements required by parties to agreements to which the Partnership is a party (as required); (d) lifting of liens imposed on the Object of Sale; and (e) additional preconditions to be agreed in the Binding Agreement.
   - The Partnership has undertaken not to enter into an agreement with any third party for the sale of the Object of the Sale until May 31, 2021.
   - The MOU will expire on the date the Binding Agreement is signed or 90 days after the date of the MOU, whichever is earlier.
   - The Binding Agreement will be governed by the law of England and Wales. Claims and disputes will be litigated in arbitration before three arbitrators.

   The proceeds of the sale will first be used to repay the Partnership's liabilities to holders of Tamar Bond debentures, 50% of Debentures (Series A), and payment of applicable taxes for the sale. It is clarified that as at the approval date of the financial statements, it is uncertain whether the parties will sign the Binding Agreement, under the terms set out above or at the specified dates, if at all. As at the approval date of the financial statements, the parties to the MOU continue to take steps to sign a binding agreement.

3. Subsequent to the balance sheet date, on April 27, 2021, the Partnership signed an agreement with a third party for the off-floor sale of its entire holdings (22.6%) in Tamar Petroleum, for NIS 100 million in cash, reflecting a price per share of 500.035 agorot. Subsequent to the balance sheet date, on May 5, 2021, the transaction was completed and the shares were transferred against payment of the consideration. The Partnership paid the balance of capital gain tax in the amount of USD 15 million, which was deferred until the sale of the shares.

4. Subsequent to the balance sheet date, on May 12, 2021, the Partnership announced that the operator in the Tamar project received notice on May 11, 2021 from the competent authorities that due to the geopolitical situation it is required to suspend natural gas production from the Tamar reservoir. Accordingly, natural gas for Tamar reservoir customers in the local market is being supplied from the Leviathan reservoir, which is close reaching full daily production capacity. It should be noted that in view of the geopolitical situation, the flow of gas to Egypt has been temporarily suspended.
   On May 23, 2021, the Partnership announced that both natural gas production from the Tamar reservoir and the flow of natural gas to Egypt was resumed on May 21, 2021.
   The suspension of production will not have a material effect on the Group's revenue in the second quarter of 2021.

NOTE 5: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

B. Tamar project (contd.)

5. Below are the assets and liabilities attributable to the Group's holdings in the Tamar project and which are presented in the balance sheet under assets held for sale and liabilities attributable to assets held for sale, respectively:

	March 31 2021	December 31, 2020
	Unaudited	Audited
	NIS millions	
Current assets	17	112
Investments in oil and gas assets	3,757	3,657
Other long-term assets	152	107
Total assets held for sale	3,926	3,876
Tamar Bond debentures *)	-	2,043
Other long-term liabilities	141	187
Total liabilities attributable to assets held for sale	141	2,230

*) As at March 31, 2021, the balance of Tamar Bond debentures is presented under short-term liabilities, in accordance with the planned outline for the sale of rights in the Tamar reservoir, as set out in section 1 above.

C. In view of the disputes between the Partnership and the Tax Authority and the disagreements regarding the amount of the Partnership's taxable income for 2018, on March 24, 2021, the Tax Authority issued an assessment other than by agreement under section 145(A)(2)(b) of the Income Tax Ordinance, 1961 ("the Tax Assessment"), according to which the taxable income of the Partnership for 2018 is USD 195 million (NIS 650 million) (instead of USD 150 million (NIS 500 million), as included in the tax report of the Partnerships filed with the Tax Authority) and the capital gain of the Partnership for 2018 is USD 17 million (NIS 57 million) as declared in the report filed by the Partnership.

The disputes are mainly about the interpretation of how to recognize financing expenses and other expenses covered by the Partnership. According to the Tax Assessment, and if all the claims of the Tax Authority are accepted, the Partnership will be required to make an additional tax payment (including interest and linkage differences) at the expense of the holders of the Partnership's participating units, in the amount of USD 13 million (NIS 43 million).

It should be noted that in view of the above, there may be a delay in the issuance of a final tax certificate to an eligible holder for the holding of the Partnership's participating unit for the 2018 tax year, until completion of the proceedings required to determine the final assessment. The Partnership believes, based on the opinion of its professional advisors, that it is more likely than not that most of the Partnership's claims will be accepted, therefore it intends to file an objection to all of the rulings of the tax assessor in the assessment. As at the approval date of the financial statements, the deadline for filing the objection is June 10, 2021.

NOTE 5: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

D. Further to Note 12H to the Annual Financial Statements regarding an agreement for the sale of rights in the I/17 Karish and I/16 Tanin leases ("the Leases"), in March 2021, Energean reported an issuance of debentures and subsequent to the balance sheet date, Energean reported, among other things, that production of natural gas from the Leviathan reservoir is expected to start in the second half of 2022 (instead of the first quarter of 2022).

In view of Energean's announcement on the raising of debentures, the capitalization rate used to calculate the receivables in respect of the loan to Energean has been adjusted. Financing income recorded in the reporting period includes USD 10.7 million arising from an adjustment of the value of royalties from the Leases amounting to USD 5.7 million and an adjustment of the receivables in respect of the loan to Energean amounting to USD 5 million.

Below are the main parameters of the valuations used to measure the royalties and the receivables: The capitalization rate for receivables is estimated at 5.66%; the capitalization rate for the royalty component is estimated at 12%; the total contingent resources of natural gas and hydrocarbon liquids used in the valuation to measure the royalties were estimated at 98.4 BCM and 99.6 MMbbl, respectively; average annual production rate from the Karish lease: 3.85 BCM of natural gas; average annual production rate of condensate from the Karish lease: 5 million barrels of condensate; average annual production rate from the Tanin lease: 2.51 BCM of natural gas; average annual production rate of condensate from the Tanin lease: 0.44 million barrels of condensate.

E. Further to Notes 12M(2)(b) and 12M(1)(c)(3) to the Annual Financial Statements regarding the settlement agreements signed on January 30, 2021 between the Tamar partners and the Israel Electric Corporation Ltd. ("the IEC") and between the Leviathan partners and the IEC, on May 2, 2021, the parties to the Tamar settlement agreement agreed to extend the fulfillment date of the precondition for the entry into force of an agreed order between Noble Energy Mediterranean Ltd. and the Competition Authority, under Section 50B of the Economic Competition Law, 1988, until May 31, 2021, and the parties to the Leviathan settlement agreement agreed to extend the fulfillment date of the preconditions until that date.

F. Further to Note 12Q regarding the balancing agreement for the separate sale of natural gas from the Tamar reservoir signed by all the partners in the Tamar project ("the Balancing Agreement"), on May 26, 2021, subsequent to the balance sheet date, the Partnership announced that the Competition Authority requested that the parties to the Balancing Agreement perform a self-assessment, and after completing the assessment, on May 25, 2021, the parties agreed that no further approval from the Competition Authority was required and therefore, the Balancing Agreement came into effect on May 11, 2021.

G. Subsequent to the balance sheet date, on April 7, 2021, the Partnership, together with the other Tamar and Leviathan partners, filed a petition against the Natural Gas Council and the Ministry of Energy ("the Respondents"). The petition moves to nullify decision No. 5/2020 of December 29, 2020 of the Natural Gas Sector Council (in this section below, "the Council") – Amendment to Council decision 8/2019 – Criteria and Rates for Operation of the Transmission System in a Flow Control Regime (Amendment No. 2) published on January 3, 2021 (in this section below: "the Decision"). According to the Decision, natural gas suppliers will bear the cost of half the "reasonable measurement difference" defined in the Decision as a difference of up to 0.5% between the quantity of gas measured by the meter at the entrance to the natural gas transmission system and the quantity measured by the meter at its exit. According to the petition, the Decision was issued without any legal authority and is affected by extreme unreasonableness. On April 8, 2021, the court ordered the Respondents to file responses to the petition by June 8, 2021.

NOTE 6: LOANS FROM BANKS AND OTHERS

A. Further to Note 18C to the Annual Financial Statements, in January 2021, the Company, together with Fattal, received a loan of NIS 145 million for refinancing real estate property in Herzliya (see also Note 11A to the Annual Financial Statements), (the Company's share is NIS 104 million). The loan is for three years and is secured by a lien on the property. The outstanding loan principal bears fixed annual interest of 7% and is linked to the CPI. The agreement sets out standard events for calling for immediate payment of the loan. The agreement also stipulates that in the occurrence of any of the events as set out for early repayment with regard to the Company alone or with regard to Fattal Hotels Ltd. alone, it will constitute grounds for immediate repayment with respect to the other borrower as well.

B. Subsequent to the balance sheet date, on April 7, 2021, the Company signed an agreement with a third party for a credit facility of up to NIS 200 million. The facility may be used up to August 31, 2022, and subject to the terms set out in the agreement. The loans to be withdrawn under the credit facility will be linked to the CPI and will bear median interest linked to the CPI at a rate of 4%. The loans will be repaid in six equal half-yearly installments in the period beginning on February 28, 2023 and ending on August 31, 2025. To secure repayment of the loans of the Company or Delek Energy, the participating units of Delek Drilling will be pledged in a fixed lien in the quantity and value set out in the agreement. It should be noted that the dividend to be distributed by Delek Drilling for the pledged units will be deposited in a pledged account in favor of the lender as an additional safety cushion, and the Company will have the right to withdraw the amounts under certain conditions. The agreement stipulates standard events for calling for immediate repayment of the loan. As at the approval date of the interim financial statements, the facility has not been utilized.

NOTE 7: CONTINGENT LIABILITIES

There are contingent claims against the Company and certain investees for significant amounts, including certification for class actions that might reach hundreds or billions of shekels. In some cases, it is not possible to assess their outcome at this stage, and therefore no provision was recorded in the financial statements (see Note 24A to the Annual Financial Statements). In and subsequent to the reporting period (up to the approval date of the financial statements), there were no material developments in the status of the contingent claims, other than the following:

A. Subsequent to the balance sheet date, on April 21, 2021, Adam Teva V'Din - Israel Union for Environmental Defense (in this section below: "the Petitioner") filed an administrative petition with the Jerusalem District Court (sitting as an administrative affairs court) against the Tax Authority, the Supervisor for Implementation of the Freedom of Information Law in the Tax Authority, Noble, the Partnership, Ratio Oil Exploration (1992) - Limited Partnership, Givot Olam Oil Exploration - Partnership Limited (1993), ICL Group Ltd., Dead Sea Works Ltd., and Rotem Amfert Negev Ltd. (in this section below: "the Respondents in the Original Petition"). In the petition, the court was moved to order the Tax Authority to provide the Petitioner with information about the proceeds from the state's income from Israel's natural resources, as well as general information about reports received by the Tax Authority and how they have been addressed since legislation of the Taxation of Profits from Natural Resources Law, 2011. In the petition, it was stated that it was filed after the Tax Authority refused, in March 2021, to respond to an application for freedom of information filed by the Petitioner, in which the Tax Authority was requested to provide the information sought by the Petitioner.. On May 6, 2021, after receiving permission from the court, the Petitioner filed an amended petition in which it added all of the partners in the Tamar project that were not named in the original petition to the Respondents in the Original Petition (jointly with the Respondents in the Original Petition, in this section below: "the Respondents"). On May 6, 2021, the court ordered the Respondents to file responses to the petition by June 15, 2021.

B. Further to Note 24A2(3) to the Annual Financial Statements regarding a statement of claim filed by the supervisor against the Partnership, the general partner in the Partnership and the royalty holders (including the Company, Delek Energy Systems Ltd., and Delek Royalties (2012) Ltd.) and a counter-claim filed by the royalty holders, all in connection with the investment recovery date in the Tamar project, it should be noted that on March 17, 2021, an affidavit of direct testimony and a supplemental economic opinion were filed on behalf of the Partnership. In addition, on April 5, 2021, a pretrial hearing was held, in which it was agreed that the parties will refer to a mediator, retired Justice Yoram Danziger, to settle the dispute, . It is further ruled that a progress report will be submitted to the court by May 20, 2021. On May 5, 2021, a mediation meeting was held in the presence of all parties, before the mediator. In the meeting, it was agreed that each of the parties will meet separately with the mediator. On May 20, 2021, the parties submitted a progress report on the mediation and asked to submit another progress report by June 30, 2021. On May 23, 3031, the court granted the parties' request.

C. For information about the petition filed against the Natural Gas Council and the Ministry of Energy by the Partnership together with the other Tamar and Leviathan partners, see Note 5G above.

D. Further to Note 24A1(5) to the Annual Financial Statements, regarding the petition of the Homeland Guards Association ("the Petitioner") filed with the Jerusalem District Court against the Ministry of Environmental Protection and its officials and against Noble and the Ministry of Energy, on May 23, 2021, a hearing was held on the petition. In view of the consent of the Ministry of Environmental Protection to publish on the website a detailed decision as to the information being a trade secret, the court ordered the petition to be struck out.

NOTE 8: CAPITAL

A. In the first quarter of 2021, 193,359 options (Series 10) were exercised for 193,359 shares of NIS 1 par value of the Company in consideration for NIS 15 million and 29,625 options (Series 12) for 29,625 shares of NIS 1 par value each for NIS 2.2 million.
As at March 31, 2021, the balance of the options in circulation is 185,641 options (Series 10), 502,758 options (Series 11), and 349,370 options (Series 12).

B. Subsequent to the balance sheet date, in April 2021, 185,640 options (Series 10) were exercised for 185,640 shares of NIS 1 par value of the Company for NIS 14 million and 89,578 options (Series 12) for 89,578 shares of NIS 1 par value for NIS 7 million. In addition, one option (Series 10) expired.
Shortly before the approval date of the financial statements, the balance of the options in circulation is 502,758 options (Series 11) and 259,792 options (Series 12).

Subsequent to the balance sheet date, in April 2021, the Company issued 63,400 shares of NIS 1 par value in consideration for NIS 10 million.

C. Shortly before the approval date of the financial statements, after the capital issue and exercise of the options, the issued and paid-up share capital of the Company amounts to 17,721,319 shares of NIS 1 par value each.

NOTE 9: FINANCIAL INSTRUMENTS

Main changes in the Group's financial instruments and its exposure to market risks in the reporting period:

B. Fair value

Balance in the financial statements and fair value of the debentures issued by the Group:

	Carrying amount		Fair value	
	March 31 2021	December 31 2020	March 31 2021	December 31 2020
	Unaudited	Audited	Unaudited	Audited
	NIS millions			
Debentures	18,230	15,840	18,592	15,072

The fair value of most of the debentures is classified to level 1 in the fair value hierarchy.
There was no change in the fair value hierarchy as at March 31, 2021 compared with the hierarchy in the Annual Financial Statements.

C. Price risk

(1) Risk associated with commodity prices

Ithaca is exposed to changes in oil and gas prices for its future sales. To hedge the exposure, Ithaca has hedge transactions (mostly put and swap) on gas prices for part of its future production. Information about open transactions as at March 31, 2021:

– Transactions on the price of oil

	Period	Quantity (K barrels of oil)	Average exercise price (USD/barrel)
Put	April 2021 to December 2021	3,721	56
Swap	April 2021 to December 2022	7,180	43

– Transactions on the price of gas

	Period	Quantity (ktherms)	Average exercise price (penny per thermal unit)
Put	April 2021 to December 2022	142,000	42
Swap	April 2021 to March 2023	255,750	43

The cost of acquiring the hedging transactions amounts to USD 34 million, most of which will be repaid in 2021.
The transactions are accounted for as hedge accounting. As at March 31, 2021, the net fair value of the hedge transactions amounted to a liability of USD 153 million (NIS 510 million).

NOTE 10: OPERATING SEGMENTS

A. General

In accordance with IFRS 8, the Group's operating segments are determined on the basis of management reports, which are mainly based on the investments in each subsidiary.

The operating segments are as follows:

- Oil and gas exploration and production in Israel and its surroundings: The main operation is in the Tamar project joint venture, the Leviathan project joint venture, and other oil rights, mainly offshore the coast of Israel through Delek Drilling. For information about the agreement for the sale of the entire rights in the Tamar project, see Note 5B above.

- Development and production of oil and gas assets in the North Sea: The activity is carried out by Ithaca, which owns rights in oil and gas assets in the North Sea region. The activity includes mainly production and marketing of oil and gas from the producing reservoirs and the development of additional reservoirs.

- Others, as from the fourth quarter of 2020, other segments include mainly Delek Israel's operations, the investment in which is accounted for in accordance with the equity method as at the date of sale of control.

It should be noted that operations presented under profit (loss) from discontinued operations (including the operations of Delek Israel and the power plants up to the date of sale of control in Delek Israel) (see Notes 3B(1) and 3B(2)), are not presented as reportable segments. Comparative figures were reclassified to reflect the operations of Delek Israel and the power plants as a discontinued operation.

NOTE 10: OPERATING SEGMENTS (CONTD.)

B. Segment reporting

1) Revenue

	Three months ended March 31		Year ended December 31
	2021	2020 *)	2020
	Unaudited		Audited
	NIS millions		
Revenue from external sources			
Oil and gas exploration and production in Israel and its surroundings **)	778	674	2,667
Development and production of oil and gas assets in the North Sea	1,126	1,219	4,052
Other segments	6	3	8
Inter-segment and adjustments **)	-	(16)	(56)
Total in statement of income	1,910	1,880	6,671

*) Reclassified – see Notes 3B(2) and 3B(3)

**) Inter-segment sales are mainly for the sale of natural gas to other segments.

2) Segment results

	Three months ended March 31		Year ended December 31
	2021	2020 *)	2020
	Unaudited		Audited
	NIS millions		
Oil and gas exploration and production in Israel and its surroundings	492	407	705
Development and production of oil and gas assets in the North Sea	382	(3,089)	(734)
Other segments	12	19	24
Adjustments **)	(15)	(30)	(89)
Operating profit (loss)	871	(2,693)	(94)

*) Reclassified – see Notes 3B(2) and 3B(3)

**) Mainly administrative and general expenses attributable to the staff companies

NOTE 10: OPERATING SEGMENTS (CONTD.)

B. Segment reporting (contd.)

3) Contribution to net profit from continuing operations attributable to the shareholders of the Company

	Three months ended March 31		Year ended December 31
	2021	2020 *)	2020
	Unaudited		Audited
	NIS millions		
Oil and gas exploration and production in Israel and its surroundings	166	158	117
Development and production of oil and gas assets in the North Sea	141	(2,354)	(1,132)
Other segments	11	21	24
Adjustments **)	(113)	(276)	(668)
Profit (loss) from continuing operations attributable to shareholders of the Company	205	(2,451)	(1,659)

*) Reclassified – see Notes 3B(2) and 3B(3)

**) Mainly administrative and general expenses, financing and taxes attributable to headquarter companies

NOTE 11: - AGREEMENTS WITH THE DEBENTURE HOLDERS

Further to Note 19G to the Annual Financial Statements, in the amendment to the deed of trust of each of the debenture series issued by the Company, approved on June 17, 2020, grounds were set for immediate repayment of the debentures (mainly upgrading the debt rating of the debentures by May 31, 2021, meeting general and administrative amounts, and minimum equity ratio thresholds, as set out in Note 19G to the Annual Financial Statements). In this context, it should be noted that subsequent to the balance sheet date, on May 30, 2021, the general meeting of the holders of the Company's debenture series approved the amendment to the deed of trust of each of the series. Below are the main points in the amended deed:

- Review of the rating covenant, according to the which the Company's rating must be at least BBB-, will be postponed to September 15, 2021 in the first stage.
- The Company has undertaken to make every effort to complete the Ithaca issuance by September 15, 2021 and to transfer the amounts to be received from the issuance to the trustee.
- If the rating is not upgraded by September 15, 2021, the rating covenant will be automatically postponed in a number of lots until March 31, 2022, provided that the Company deposits with the trustee the full amounts required for principal and interest payments of the debentures in the first quarter of 2022 in four equal lots (25% each) on the dates: September 15, 2021; October 15, 2021; November 15, 2021; and December 15, 2021.
- The Company undertook to raise capital in the amount of NIS 125 million according to the following division: NIS 50 million by August 5, 2021, and an additional NIS 75 million by October 16, 2021. The Company will raise additional capital in the amount of NIS 75 million by January 5, 2022. If the Company's rating is not upgraded to a minimum rating of BBB- by January 5, 2022, the total capital raised amounts to a cumulative amount of NIS 200 million (of which NIS 75 is subject to an event that the rating is not upgraded by that date).
- The interest for the Company's debentures, of all series, will increase at an annual rate of 0.25% as from June 1, 2021 until the rating is upgraded to BBB-.

It should be noted that as at the approval date of the financial statements, the rating of the Company's debentures is B.

Delek Group Ltd.

Financial Information from the Interim Consolidated Financial Statements

Attributed to the Company

as at March 31, 2021

Unaudited

Special Report in accordance with Regulation 38D

Financial Figures and Financial Information from the Consolidated Interim Financial Statements

Attributed to the Company

Below are the separate figures and financial information attributed to the Company from the interim consolidated financial statements of the Group as at March 31, 2021, published as part of the periodic reporting ("Special Reports"), presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970:

Breakdown of Financial Information from the Consolidated Statement of Financial Position attributable to the Company

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	57	8	130
Short-term investments	19	213	84
Assets in respect of swap transactions	-	319	-
Income tax receivable	29	19	29
Other receivables	25	49	67
	130	608	310
Assets held for sale	18	-	51
Total current assets	148	608	361
Non-current assets			
Investments in investees and partnerships	2,799	3,005	2,589 *)
Loans and capital notes to investees	5,011	5,025	4,913
Financial assets	9	113	21
Assets in respect of swap transactions	-	106	-
Long term loans and debit balances	386	379	307
Financial derivatives	-	8	-
Investment property	196	187	196
Fixed assets, net	46	49	46
Total non-current assets	8,447	8,872	8,072
	8,595	9,480	8,433

**) Retrospective reconciliation, see Note 4

The accompanying additional information is an integral part of the financial information and of the separate financial information.

Breakdown of Financial Information from the Consolidated Statement of Financial Position attributable to the Company

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
Current liabilities			
Debentures including current maturities	4,998	5,884	5,263
Borrowings, bank loans and others, including current maturities	-	658	113
Current maturities of bank liabilities in respect of the swap transactions	-	385	-
Loan from a subsidiary	37	-	28
Other payables	140	143	158
Total current liabilities	5,175	7,070	5,562
Non-current liabilities			
Loans from subsidiaries	874	-	774
Loans from others	103	-	-
Long term bank liabilities in respect of the swap transactions	-	108	-
Other liabilities (primarily liability for decommission of long term assets)	11	39	11
Total non-current liabilities	988	147	785
Equity attributable to equity holders of the Company			
Share capital	18	13	18
Share premium	2,361	1,919	2,341
Proceeds for conversion options	18	18	18
Options	16	-	20
Retained earnings	1,868	640	1,589 *)
Foreign currency translation differences for foreign operations	(722)	(311)	(933)
Reserve for transactions with non-controlling interests	(678)	(665)	(677)
Other reserves	(135)	963	24
Treasury shares	(314)	(314)	(314)
Total capital	2,432	2,263	2,086
	8,595	9,480	8,433

**) Retrospective reconciliation, see Note 4

May 30, 2021			
Date of approval of the financial statements	Gabriel Last Chairman of the Board of Directors	Idan Wallace CEO	Tamir Polikar Deputy CEO and CFO

The accompanying additional information is an integral part of the financial information and of the separate financial information.

Breakdown of Financial Information from the Consolidated Statement of Income attributable to the Company

	Three months ended March 31		Year ended December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
Revenue from overriding royalties and gas sales (net of royalties)	1	2	7
Rental fees	5	3	5
Company's share in earnings (losses) of partnerships and investees, net	315	(2,487)	(1,138) *)
Management fees from investees	-	-	1
Total revenue	321	(2,482)	(1,125)
Production cost of gas sold	-	2	6
General and administrative expenses	8	14	30
Other expenses, net	10	3	124
Operating profit (loss)	303	(2,501)	(1,285)
Net financing income with respect to loans to investees and others	-	14	40
Financing income (expenses) (mainly for financial investments), net	(11)	(163)	(207)
Financing expenses (mainly with respect to debentures)	(83)	(90)	(343)
Profit (loss) from continuing operations	209	(2,740)	(1,795)
Profit (loss) from discontinued operations, net	70	(26)	(22)
Net profit (loss) attributed to Company shareholders	279	(2,766)	(1,817)

**) Retrospective reconciliation, see Note 4

The accompanying additional information is an integral part of the financial information and of the separate financial information.

Breakdown of Financial Information from the Consolidated Statements of Comprehensive Income attributable to the Company

	Three months ended March 31		Year ended December 31
	2021	2020	2020 *)
	Unaudited		Audited
	NIS millions		
Net profit (loss) attributed to Company shareholders	279	(2,766)	(1,817)
Other comprehensive income (loss)			
Amounts not reclassified to profit or loss:			
Loss from investment in equity instruments measured at fair value through other comprehensive income	-	(22)	(11)
Other comprehensive income (loss) attributable to partnerships and investees	59	(66)	(64)
Revaluation for transfer from fixed assets to investment property	-	-	27
Total	59	(88)	(48)
Amounts classified or reclassified to profit or loss under specific conditions:			
Loss (profit) with respect to financial assets at fair value through other comprehensive income	-	9	-
Adjustments for translation of financial statements of foreign operations	154	139	(310)
Other comprehensive income (loss) attributable to partnerships and investees (after tax effect)	(162)	1,227	84
Total	(8)	1,375	(226)
Total other comprehensive income (loss) from continuing operations	51	1,287	(274)
Total comprehensive income (loss) attributed to Company shareholders	330	(1,479)	(2,091)

**) Retrospective reconciliation, see Note 4

The accompanying additional information is an integral part of the financial information and of the separate financial information.

Financial Information from the Consolidated Statements of Cash Flows attributable to the Company

	Three months ended March 31		Year ended December 31
	2021	2020	2020 *)
	Unaudited		Audited
	NIS millions		
Cash flows from the Company's operating activities			
Net profit (loss) attributed to Company shareholders	279	(2,766)	(1,817)
Adjustments to reconcile statement of cash flows from the Company's ongoing operations (a)	(374)	2,825	1,635
Net cash from (used for) the Company's ongoing operations	(95)	59	(182)
Cash flows from the Company's investment activities			
Investments in property, plant and equipment and investment property	-	(1)	(2)
Proceeds from disposal of financial assets	23	-	90
Proceeds from sale of investments in investees	-	-	207
Short term deposits, net	62	31	(53)
Investment in financial assets, net	-	(13)	(13)
Proceeds from disposal of investment property	-	30	33
Long-term deposits	(5)	(112)	(178)
Collection of long-term deposits	-	-	220
Repayment (provision) of loans provided to others	33	2	(2)
Proceeds from sale of right to receive an overriding royalty for a subsidiary	-	-	239
Proceeds from sale of oil and gas assets including overriding royalty	-	-	80
Provision of loans and capital investments of investees, net	74	(36)	(357)
Net cash from (used for) the Company's investment operations	187	(99)	264
Cash flows from the Company's financing activities			
Issue of share capital and options (less issue costs)	-	-	347
Proceeds from exercise of options for shares of the Company	17	-	100
Advance payments on account of share issue	7	-	-
Short term borrowings from banks and others, net	-	(99)	(631)
Loans from a subsidiary	98	-	862
Repayment of loans from a subsidiary	(3)	(257)	(301)
Receipt of a loan from others	104	-	-
Repayment of loans from banks and others	(113)	-	(92)
Buy back of debentures	-	(5)	(5)
Repayment of debentures	(275)	(275)	(916)
Net cash used for the Company's financing operations	(165)	(636)	(636)
Exchange differences for cash and cash equivalents	-	(1)	(1)
Decrease in cash and cash equivalents	(73)	(677)	(555)
Cash and cash equivalents at the beginning of the period:	130	685	685
Cash and cash equivalents at the end of the period	57	8	130

**) Retrospective reconciliation, see Note 4

The accompanying additional information is an integral part of the financial information and of the separate financial information.

Financial Information from the Consolidated Statements of Cash Flows attributable to the Company

	Three months ended March 31		Year ended December 31
	2021	2020	2020 *)
	Unaudited		Audited
	NIS millions		
(A) Adjustments for presentation of statement of cash flows from the Company's ongoing operations (a)			
Adjustments for profit and loss items of the Company:			
Depreciation, depletion and amortization	-	-	2
Profit from exercise of investment in an affiliate	-	-	127
Increase in loans granted, net	(9)	(7)	(26)
Impairment of investments and loans provided, net	12	166	179
Company's share in the expenses of investees and partnerships *)	(308)	2,658	1,326
Impairment of liabilities, net	17	1	29
Change in fair value of financial derivatives, net	-	9	17
Revaluation of other long-term assets	(70)	(5)	6
Exchange differences for cash balance and cash equivalents, net	-	1	1
Gain from disposal of investment property	-	(1)	(1)
Loss (gain) from impairment in investment property	10	4	(3)
Changes in the Company's asset and liability items:			
Decrease in other receivables	5	25	14
Increase in other accounts payable	(31)	(26)	(36)
	(374)	2,825	1,635
*) Net of dividends received	8	171	191
(B) Company's significant non-cash activities			
Dividend receivable from investees and partnerships	-	9	-
Acquisition of Company shares by a subsidiary partnership	-	60	60
Purchase of debentures and convertible debentures of the Company by subsidiaries	-	-	21
Sale of investment property against receivables	-	3	-
(c) Additional information on cash flows			
Cash paid by the Company during the period for:			
Interest	108	103	330
Cash paid by the Company during the period for:			
Interest	-	1	2
Dividends	8	171	191

**) Retrospective reconciliation, see Note 4

The accompanying additional information is an integral part of the financial information and of the separate financial information.

NOTE 1 – GENERAL

A. This separate financial information was drafted in a condensed format pursuant to the provisions of article 38D of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be reviewed in conjunction with the separate financial information to the annual financial statements as of December 31, 2020, and for the year then ended and their accompanying notes, and in conjunction with the consolidated interim financial statements as of March 31, 2021 (the " Interim Consolidated Financial Statements").

B. The financial position of the Company

1. General

During 2020 the Covid-19 Crisis broke out (and has not yet ended), which resulted in a significant slowdown in the local land global economy and a significant drop in oil and gas prices over numerous intervals (having an adverse effect on the Group's main activity). As at the approval date of the financial statements, there is uncertainty regarding when the pandemic will be contained and/or will break out again and the continuation and/or deepening of the global economic crisis, and future oil and natural gas prices.

For information concerning the effect of the decline in oil and gas prices on the Group, including with regard to the decline in the market value of various collateral, the downgrading of the Company's debentures, deterioration in the debt to value of the Company's assets ratio, see Notes 1B and 1C to the consolidated financial statements as at December 31, 2020.

Further to the foregoing, in 2020 events occurred that are considered or may be considered as default events regarding the liabilities of the Company and its Staff Companies towards financial institutions and the holders of its debentures. For information concerning the agreements and amendment to the deeds of trust that were approved on June 17, 2020 and May 30, 2021, with the Company’s debenture holders, and the standstill agreement with some of the banks, under which the grounds for calling for immediate payment were revised and/or frozen, see section 3 below, Note 11 to the Interim Consolidated Financial Statements, and Note 19 to the consolidated financial statements as at December 31, 2020.

2. Financial position of the Company

- As at March 31, 2021, the Company (separate) has a working capital deficit of NIS 5 billion, and the Group (consolidated) has a working capital deficit of NIS 4 billion, mainly due to classification of debentures and other liabilities (beyond current maturities) in the amount of NIS 4.2 billion to short term. This classification was mainly due to the fact that some of the waiver clauses included in the amendment of the Deed of Trust for the debenture series dated June 2020 (see Note 19 to the consolidated financial statements as at December 31, 2020) are for a term less than twelve months from the date of the financial statements.
- According to the original repayment schedules, during the period from April 2021 through March 2022, the Company and the Staff Companies are liable for repayments (of principal and interest) that amount to NIS 2.4 billion and during the period from April 2022 through March 2023, in an amount of NIS 1.2 billion.

NOTE 1 – GENERAL (CONTD.)

B. The Covid-19 crisis and the Company's financial position (contd.)

3. Discussions and agreements with representatives of the debenture holders and with banks on the outline for reinforcing capital and collateral

As set out in Note 1C(3) to the consolidated financial statements as at December 31, 2020, under the understandings that the Company reached in 2020 with the representatives of the debenture holders and the banks, events and criteria were defined which, if breached, will allow the debenture holders and banks to demand immediate repayment of the Company's liabilities to them. For further information concerning the events and criteria that were defined under the foregoing understandings, see Notes 1C and 19G to the consolidated financial statements as at December 31, 2020.

Below is a breakdown of the main causes for calling for immediate repayment that were set under the amendment to the deed of trust dated June 2020, as agreed with the debenture holders:

- Minimum equity cause - until the second quarter 2021 financial statements, there will be no cause for immediate repayment regarding minimum equity. With regard to the financial statements commencing from the second quarter of 2021 report through to the annual financial statements for 2021, cause for immediate repayment will arise if the equity falls below NIS 1.6 billion; with regard to all the financial statements for 2022 (including quarterly reports), NIS 2 billion; with regard to all financial statements for 2023 (including quarterly reports), NIS 2.4 billion; and commencing from the first quarter of 2024 financial statements, NIS 2.6 billion. Failure to comply with the standard in any of the foregoing financial statements will constitute grounds for immediate repayment.
- Equity to balance sheet cause - up to the publication date of the statements for the first quarter of 2021, the grounds for immediate repayment included in the deeds of trust regarding the equity to balance sheet ratio will not apply. For the statements as from the second quarter of 2021 and up to the financial statements for 2021, the equity to total balance sheet ratio in accordance with the separate financial statements falls below 12.5% over two consecutive quarters. This ratio rises gradually over subsequent years, so that as from the first quarter of 2024, the debenture holders will have cause to call for immediate repayment if the equity to total balance sheet ratio in accordance with the Company's separate financial statements falls below 20% over two consecutive quarters.
- Low rating cause - until May 31, 2021, the trustee and debenture holders will not have the right to call for immediate repayment of the debentures due to a rating that is lower than BBB-). As from June 1, 2021, the debenture holders will have the right to call for immediate repayment if the debenture rating is lower than BBB-. On May 30, 2021, an additional amendment to the deed of trust was approved and the date for reviewing compliance with the rating was postponed. For further information see Note 11 to the Interim Consolidated Financial Statements.
- If another creditor of the Company or creditors of the Company's subsidiaries call for payment of their debt (in accordance with the quantitative thresholds set out in the amendment to the deed of trust), and in certain cases, they also have grounds to call for immediate repayment, this will constitute grounds to call for immediate repayment of the debentures.

NOTE 1 – GENERAL (CONTD.)

B. The Covid-19 crisis and the Company's financial position (contd.)

3. Discussions and agreements with representatives of the debenture holders and with banks on the outline for reinforcing capital and collateral (contd.)

- In the effective period: general and administrative expenses in 2020, including those of the Staff Companies, will not exceed (including the costs of the amendment to the deed of trust) those in 2019, based on the Company's financial statements. In 2021, they will not exceed NIS 45 million; in 2022, NIS 40 million; and from 2023, NIS 35 million. In this regard, it should be noted that the criteria that were set included the criteria relating to the Company's general and administrative expenses, and among others, it was determined that general and administrative expenses in 2020, including those of the Staff Companies, will not exceed (including the costs of the amendment to the deed of trust) those in 2019, based on the Company's financial statements. As noted in Note 1C(3) to the consolidated financial statements as at December 31, 2020, in 2020, the general and administrative expenses of the Company and of the Staff Companies (including the costs of the amendment to the deed of trust) exceeded those for 2019 by an amount of NIS 5.4 million, and the Company failed to comply with this undertaking. Nonetheless, further to discussions held in 2020 between DKL (a Staff Company) and Ithaca, in March 2021, it was agreed that Ithaca will participate in the general and administrative expenses of DKL for 2020. Subsequently, in March 2021, Ithaca transferred an additional amount of USD 1.7 million (NIS 5.7 million), over and above the amount of USD 0.7 million that it had already transferred for such expenses. The additional amount that was transferred exceeds the deficit attributed to 2020. Consequently, in the Company's opinion, based also on a legal opinion received on this matter, the foregoing non-compliance has been amended.
- Furthermore, the deeds of trust for the debentures include cause for immediate repayment in the event of a change in control (decrease to below 30%), that could impair the Group's solvency.

Subsequent to balance sheet date, on May 30, 2021, the general meeting of debenture holders approved a further amendment to the deed of trust, as part of which the Company's compliance with some of the covenants were postponed to various dates and an additional covenant that the Company is required to meet was set out. For further information with regard to this amendment of the deed of trust, see Note 11 to the Interim Consolidated Financial Statements.

NOTE 1 – GENERAL (CONTD.)

B. The Covid-19 crisis and the Company's financial position (contd.)

4. Disposal of assets and investments and raising capital and debt during the Reporting Period

- Further to that stated in Note 1C(4) to the annual financial statements regarding the disposal of the Group's investment in Delek Israel, during the Reporting Period the Acquirer exercised the option to acquire 5% of Delek Israel's issued and paid-up share capital and paid half of the deferred consideration. The total resulting consideration received by the Group amounted to NIS 75 million. The remaining additional shares, approximately 5%, were deposited in a trust until June 30, 2021. For further information, see Note 3B to the Interim Consolidated Financial Statements.
- In the Reporting Period and subsequent to balance sheet date, options for Company shares in an amount of NIS 38 million were exercised, and shares in an amount of NIS 10 million were issued. For further information, see Note 8 to the Interim Consolidated Financial Statements.
- In January 2021, a third party granted the Company a loan in an amount of NIS 104 million against a lien on a building that it owns in Herzliya. The repayment date is in January 2024. The loan was mainly used to repay an earlier loan received with regard to this Property. For further information, see Note 6A to the Interim Consolidated Financial Statements.
- Subsequent to balance sheet date, in April 2021, the Company engaged in an agreement to receive a line of credit from a third party in an amount of NIS 200 million. The loans that were drawn from this line of credit will be repaid in equal semi-annual installments from February 2023 through August 2025. For further information, see Note 6B to the Interim Consolidated Financial Statements.
- In March 2021, the Group signed a specified sale agreement for the sale of an investment property in Acre for a consideration of NIS 200 million as is. For further information, see Note 4 to the Interim Consolidated Financial Statements.
- Furthermore, the Group is exploring options for disposing of additional assets (including the execution of a capital procedure with the Group's investment in Ithaca) and obtaining loans and/or partial exchange of debentures.

5. Conclusion

Under the agreements with the debenture holders and the financial institutions, and for the Company and the Staff Companies to meet repayment of their liabilities, the Company was and is required to raise substantial capital, dispose of assets and investments on a substantial scale, raise debt based on assets, and receive dividends from investees. The amounts of these sources are required to repay the liabilities of the Company and Staff Companies, which are very substantial (during the period from April 1, 2021 through December 31, 2021, the Company and the Staff Companies are required to repay the obligations to debenture holders, financial institutions, and others in an amount of NIS 1 billion NIS and in 2022, NIS 2.1 billion and in the first quarter of 2023, in an amount of NIS 0.8 billion).

As aforesaid, repayment of the liabilities of the Company and the Staff Companies at their due date is subject to their ability to dispose of assets and investments on a significant scale; raise debt and capital on a significant scale, and to receive dividends from investees and partnerships.

NOTE 1 – GENERAL (CONTD.)

B. The Covid-19 crisis and the Company's financial position (contd.)

5. Conclusion (contd.)

It should be noted that the Company's ability to receive a substantial amount of dividend from investees refers mainly to the receipt of dividends from Delek Drilling and Ithaca. The ability of these companies to distribute dividends is subject, among other things, to their ability to comply with financial covenants, and to obtain the consent of the financing entities and/or their ability to generate significant available cash flows, which is also dependent on the demand for natural gas and oil and the price of oil and natural gas. In 2020 Ithaca distributed dividends in the amount of USD 120 million and in May 2021, an amount of USD 15 million. Furthermore, Delek Drilling distributed a dividend in the amount of USD 100 million (the Group's share was NIS 185 million).

As aforesaid, the Company worked and is working to realize its plans, including the raising of capital, disposal of substantial assets and investments, raising of debt based on assets and receipt of dividends from investees, in order to meet its various obligations. The Company believes that it is highly likely that its plans will be realized, and in this regard, it is noted that, as set out above, that the significant and important measures that the Group was able to complete over the past year, in accordance with the outline enabled it to make early repayments of substantial amounts to the banks and to the debenture holders on time and as required. Nonetheless, since completion of the Company's plans is not under its sole control and depends, as described above, among others, on third parties and/or the occurrence of incremental events, some of which must occur within relatively short periods and/or in a significant scope, and in view of the financial criteria that were set with the debenture holders and other lenders, which may require obtaining their agreement not to call for immediate repayment (in the event that it fails to comply with the criteria), there is uncertainty as to the actual fulfillment of these plans. These factors, together with others noted above, raise serious concerns of the Company's ability to continue as a going concern. The financial statements do not include adjustments for the values of assets and liabilities and their classification, which might be required if the Company is unable to continue as a going concern.

C. Financial positions of subsidiaries

1. Delek Drilling

As at March 31, 2021, the Delek Drilling has an ongoing working capital deficit from current operations amounting to USD 90 million (NIS 300 million), mainly due to debentures Series A that are due for repayment in December 2021. On May 18, 2021, the General Partner's board of directors decided that this deficit does not indicate that the Partnership has a liquidity problem and that it will have sufficient resources in the coming year to finance its operations and/or meet its existing and expected obligations. It should be noted that the net current liabilities, including Tamar Bond debentures in an amount of USD 575 million (NIOS 1.9 billion) (less a security cushion in the amount of USD 60 million (NIS 200 million) that is presented under current assets) which have been classified as short term and are expected to be repaid early along with half of the debentures Series A in an amount of up to USD 200 million (NIS 667 million) at the time of the sale of the Partnership's holdings in Tamar and Dalit Leases, as set out in Note 5B(2) to the Interim Consolidated Financial

NOTE 1 – GENERAL (CONTD.)

C. Financial positions of subsidiaries (contd.)

2. Ithaca

As at March 31, 2021, Ithaca has a working capital deficit of USD 214 million (NIS 710 million).
In May 2021, Ithaca distributed a dividend in an amount of USD 15 million (NIS 50 million), in addition to the dividend of USD 120 million (NIS 400 million) that it distributed in 2020.

NOTE 2 – CONTINGENT LIABILITIES

There are certain contingent claims against the Company and certain investees for significant sums, including petitions to grant class actions, that might amount to anywhere from hundreds of million to several billions of shekels. In some cases, it is not possible to assess their outcome at this stage, and therefore no provision was recorded in the financial statements as set out in Note 7 to the Interim Consolidated Financial Statements.

NOTE 3 – CAPITAL

With regard to the exercise of options and issue of shares of the Company, see Note 8 to the Interim Consolidated Financial Statements.

NOTE 4 – RETROSPECTIVE RECONCILIATION OF COMPARATIVE FIGURES

As set out in Note 3A to the interim consolidated financial statements, in the Reporting Period Delek Petroleum completed the assessment of the fair value of its investment in Delek Israel as at the date of relinquishing its control therein (October 2020) and of the options granted to the Buyers on that date. As a result, Delek Petroleum's profit from its loss of control of Delek Israel increased by NIS 57 million. The foregoing adjustment was treated in the financial statements as a retrospective reconciliation of the comparative figures for 2020. In light of the foregoing, the Company's share in the profits (losses) of investees and investee partnerships increased in 2020 by NIS 57 million, net against an increase in the same amount in investments in investees and investee partnerships.

NOTE 5 – AGREEMENTS WITH THE DEBENTURE HOLDERS

Subsequent to the balance sheet date, on May 30, 2021, the general meeting of holders of the Company’s debentures of various series approved an amendment to the deed of trust of each of the series. For further information concerning the amendment, see Note 11 to the Interim Consolidated Financial Statements.

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Chapter D

Report on the Effectiveness of Internal Controls for Financial Reporting and Disclosure

Delek Group Ltd

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

Management, under the supervision of the Board of Directors of Delek Group Ltd. ("the Corporation"), is responsible for setting and maintaining an appropriate internal control for financial reporting and disclosure in the Corporation.

For this matter, the members of Management are:

1. Idan Wallace, President & CEO
2. Tamir Polikar, Deputy CEO & CFO
3. Leora Pratt Levin, Chief General Counsel
4. Tamar Rosenberg, Head of Corporate Accounting

Internal control of financial reporting and disclosure includes controls and procedures existing in the Corporation, which were planned or overseen by the CEO and the most senior financial officer or under their supervision, or by whoever fulfills those functions in practice, under the supervision of the Board of Directors of the Corporation, and were designed to provide reasonable assurance as to the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Corporation is required to disclose in the reports it publishes in accordance with the provisions of the law is collected, processed, summarized and reported on the date and in the format laid down in law.

Internal control includes, inter alia, controls and procedures planned to ensure that the information that the Corporation is required to disclose as aforesaid, is accumulated and forwarded to the Management of the Corporation, including to the CEO and the most senior financial officer or to whoever fulfills those functions in practice, in order to enable decisions to be made at the appropriate time in relation to the disclosure requirements.

Due to its structural limitations, the internal control of financial reporting and disclosure is not intended to provide absolute assurance that misstatement in or omission of information from the reports will be prevented or will be discovered.

In the annual report on the effectiveness of internal control for financial reporting and disclosure, which was attached to the Periodic Report for the period ending December 31, 2020 ("the Last Annual Internal Control Report"), the Board of Directors and Management assessed the internal controls within the Corporation; based upon this assessment, the Board of Directors and Management of the Corporation have concluded that the said internal controls, as of December 31, 2020, were effective.

Up until the date of this report, no event or matter was brought to the attention of the Board of Directors and Management that leads them to change the assessment of the effectiveness of the internal controls, as reported in the Last Annual Internal Control Report.

For the period of this report, based upon the effectiveness assessment of the internal controls in the Last Annual Internal Control Report, and based upon information brought to the attention of Management and the Board of Directors as stated above, the internal controls are effective.

Declaration of Executives in accordance with Ordinance 38C(d)(1)

Declaration of Executives

Declaration of the CEO

I, Idan Wallace, declare that:

(1) I have reviewed the interim financial statements and the other financial information included in the reports for the interim period of Delek Group Ltd. ("the Corporation") for Quarter 1 of 2021 ("the Reports" or “Reports for the Interim Period”);

(2) To the best of my knowledge, the interim financial statements and the other financial information included in the Reports for the Interim Period do not include any representation that is not materially correct and do not lack any representation of any vital, material fact, so that what has been presented, within the context in which they have been provided, shall not be misleading in respect of the period covered by the Reports;

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

(4) I disclosed to the auditor of the Corporation, to the Board of Directors, to the Audit and the Financial Statements Committees of the Board of Directors of the Corporation, based on my latest assessment of the internal control of the financial reporting and disclosure:

   (i) all the significant flaws and material weaknesses in the determination or operation of the internal control of the financial reporting and disclosure that could reasonably have an adverse effect on the ability of the Corporation to collect, process, summarize or report on financial information in a way that could cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and -

   (ii) any deception, whether material or not material, in which the CEO or anyone directly subordinate to him is involved, or in which other employees are involved who fulfill an important function in the internal control of the financial reporting and disclosure;

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

   (i) set controls and procedures or ascertained the setting and upholding of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its subsidiaries as defined in the Securities (Annual Financial Statements) Ordinances, 2010, is brought to my knowledge by others in the Corporation and in the subsidiaries, particularly during the period of preparation of the Reports; and -

   (ii) I set controls and procedures or ascertained the setting and upholding of controls and procedures under my supervision, designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with accepted accounting principles.

   (iii) No event or matter has been brought to my attention during the period between the Last Report and the date of this report that changes the conclusion of the Board of Directors and Management in respect of the effectiveness of the internal controls on the Corporation's financial reporting and disclosure.

Nothing in the foregoing shall derogate from my responsibility or that of anyone else in law.

May 30, 2021

Idan Wallace
Chief Executive Officer

Declaration of the most senior financial officer pursuant to Ordinance 38C(d)(2):

Declaration of Executives

Declaration of the most senior financial office

I, Tamir Polikar, declare that:

(1) I have reviewed the interim financial statements and other financial information of Delek Group Ltd. ("the Corporation") for Quarter 1 of 2021 ("the Reports" or "the Reports for the Interim Period");

(2) To the best of my knowledge, the interim financial statements and other financial information included in the Reports for the Interim Period do not include any representation that is not correct and do not lack any representation of any vital, material fact, so that what has been presented, within the context in which they have been provided, shall not be misleading in respect of the period covered by the reports.

(3) To the best of my knowledge, the interim financial statements and other financial information in included in the Reports for the Interim Period reflect fairly, from all material aspects, the financial condition, the results of operations and the cash flows of the Corporation at the dates and for the periods to which the Reports relate:

(4) I disclosed to the auditor of the Corporation, to the Board of Directors, to the Audit and the Financial Statements Committees of the Board of Directors of the Corporation, based on my latest assessment of the internal control of the financial reporting and disclosure:

   (i) all the significant flaws and material weaknesses in the determination or operation of the internal control of the financial reporting and disclosure insofar as they refer to the financial statements and other financial information included in the Reports for the Interim Period that could reasonably have an adverse effect on the ability of the Corporation to collect, process, summarize or report on financial information in a way that could cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and -

   (ii) any deception, whether material or not material, in which the CEO or anyone directly subordinate to him is involved, or in which other employees are involved who fulfill an important function in the internal control of the financial reporting and disclosure.

(5) I, alone or together with others in the Corporation -

   (i) set controls and procedures or ascertained the setting and upholding of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its subsidiaries as defined in the Securities (Annual Financial Statements) Ordinances, 2010, is brought to my knowledge by others in the Corporation and in the subsidiaries, particularly during the period of preparation of the Reports; and -

   (ii) I set controls and procedures or ascertained the setting and upholding of controls and procedures under my supervision, designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with accepted accounting principles.

   (iii) No event or matter has been brought to my attention during the period between the Last Periodic Report and the date of this report that refers to the interim financial statements and all financial information included in the Reports for the Interim Period that changes the conclusion of the Board of Directors and Management in respect of the effectiveness of the internal controls on the Corporation's financial reporting and disclosure.

Nothing in the foregoing shall derogate from my responsibility or that of anyone else in law.

May 30, 2021

Tamir Polikar
Deputy CEO & CFO