Delek Group

FINANCIAL STATEMENTS

UNAUDITED

AS OF JUNE 30, 2021

IMPORTANT

This document is an unofficial translation for convenience only of the Hebrew original of the June 30, 2021 financial report of Delek Group Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on August 26, 2021.

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

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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

1. For information concerning an investor presentation on the publication of the Q1/2021 Report, see the Company's immediate report of May 31, 2021 (ref. no. 2021-01-093243), included herein by way of reference.

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

1. On August 5, 2021, the Company offered to the public, by way of a shelf offering, up to 267,400 ordinary shares in the Company ("the Ordinary Shares") along with up to 66,850 warrants (Series 13) exercisable into Ordinary Shares (each of the warrants (Series 13) is exercisable into one Ordinary Share) (jointly - "the Offered Securities"). Based on the results of the tender for purchasing the Offered Securities, the Company issued 189,064 Ordinary shares, and 47,266 warrants (Series 13), for a total (gross) consideration of NIS 35.35 million. For more information, see the Company's immediate reports of August 5, 2021 (ref. no. 2021-01-127773 and 2021-01-062284), included here by way of reference.

2. On August 5, 2021, the Company's Board of Directors approved the allocation of 85,200 ordinary shares in the Company to offerees who constitute classified investors of the kind included in Schedule One to the Securities Law, 1968, who do not constitute a related party for the Company and who, to the best of the Company's knowledge, are not principal shareholders in the Company, in consideration for NIS 176.13 per share, or a total of NIS 15,006,276. For more information, see the Company's immediate report of August 5, 2021 (ref. no. 2021-01-062308), included here by way of reference.

3. For information concerning securities transactions by the Company's principal shareholders, see the Company's immediate reports of August 1, 2021 (ref. no. 2021-01-125565) and August 8, 2021 (ref. no. 2021-01-128538), included here by way of reference.

C. Referring to Section 1.6.6 to the Periodic Report - Economic Conditions and Impact of External Factors and Section 1.14 to the Periodic Report - Financing

1. For information concerning the Company's negotiations with the trustees for the Company's debentures (Series B13, B18, B19, B22, B31, B33, and B34) concerning a proposed amendment to the terms of the amended deed of trust for these series from June 17, 2020, which proposed amendment would allow the Company to make early repayment to the holders of said debenture series before their stated maturity date, payments which are due in the period between August 1, 2021 and March 31, 2022 under the amortization schedule, at such time as the Company would have the full amount required to make all such payments - See the Company's immediate report of August 2, 2021 (ref. no. 2021-01-125934), included herein by way of reference. On August 19, 2021, the trustees for the Company's Debentures (Series B13, B18, B19, B22, B31, B33, and B34) summoned a general meeting to approve the proposed amendment.

Warning concerning forward-looking information - The above information concerning a possible advancement of payments to debenture holders constitutes forward-looking information as defined by the Securities Law, 1968, as this possibility is based, among other things, on assessments concerning various actions which the Company is pursuing and working towards their completion, and which as of the reporting date are only assessments and estimates and whose completion remains uncertain. These assessments and estimates are liable to update and change due to a range of factors. It is noted that

[1] The update contains material changes or developments in the Company's business in the second quarter of 2021 and up to immediately prior to the date of this report, in any matter requiring disclosure in the Periodic Report and which was not updated in the quarterly report for the first quarter of 2021, as published on May 31, 2021 (ref. no. 2021-01-093072) ("the Q1/2021 Report"). The update refers to the section numbers in Chapter A - Description of the Company's Business in the Periodic Report for 2020, as published on March 31, 2020 (ref. no. 2021-01-052227)("the Periodic Report") and supplements the content disclosed therein.

the aforesaid is subject to approval by meetings of the debenture holders. It is emphasized that the aforesaid does not serve as indication, or any commitment by the Company, for advancing payments.

2. Following on Section C.2 of the update to Part 1 in Chapter A - Description of the Company's Business in the Q1/2021 Report, concerning an update to the amended deed of trust from June 17, 2020 - On June 15, 2021, the Company announced a change in the interest rate for holders of its debentures (Series B13, B18, B19, B22, B31, B33, and B34). For more information, see the Company's immediate reports of June 15, 2021 (ref. no. 2021-01-101181) and June 16, 2021 (ref. no. 2021-01-102015), included herein by way of reference.

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

A. Energy Operations in Israel

1. Referring to Sections 1.7.1(a)(6) and 1.7.25 to the Periodic Report - Delek Drilling Limited Partnership ("the Partnership") rights in the Tamar Project

Following on the Company's immediate report of April 26, 2021 (ref. no. 2021-01-070407), Section 7A of the update to Part 3 of Chapter A - Description of the Company's Business in the Q1/2021 report, and the Company's immediate report of July 27, 2021 (ref. no. 2021-01-123015), included herein by way of reference, concerning a non-binding memorandum of understanding between the Partnership and investors headed by Mubadala Petroleum (in this Section - "the MOU" and "the Buyers") to see the Partnership's 22% stake in the Tamar and Dalit projects to a Buyers-owned company - as of the reporting date, the parties to the MOU are nearing the signing of a binding sales agreement.

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

Following on Section A.1 of the update to Part 3 of Chapter A - Description of the Company's Business in the Q1/2021 Report, concerning the planned work plan for the Leviathan Project located on the I/14 Leviathan South and I/15 Leviathan North leases - It is noted that, on July 12, 2021, the Leviathan Partners adopted a decision to drill the Leviathan-8 development and production well in the I/15 Leviathan North lease. For more information, see the Company's immediate report of July 13, 2021 (ref. no. 2021-01-052153), included herein by way of reference.

3. Referring to Section 1.7.4(j) to the Periodic Report - Reserves, Contingent Resources, and Prospective Resources in the Leviathan Leases

On June 17, 2021, the Company issued a report providing updated data on reserves, contingent resources, and discounted cash flows for the Leviathan leases. For more information, see the Company's immediate report of June 17, 2021 (ref. no. 2021-01-102609), included herein by way of reference.

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

Following on Section A.2 of the update to Part 3 in Chapter A - Description of the Company's Business in the Q1/2021 Report, concerning suspension of natural gas production in the Tamar Reservoir due to security developments, and its resumption once hostilities had ended - It is noted that said suspension of production did not materially affect the Partnership's revenues from natural gas sales in the second quarter of 2021.

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

Following on Section A.3 of the update to Part 3 of Chapter A - Description of the Company's Business in the Q1/2021 Report - It is noted that, on July 27, 2021, the Oil Commissioner approved an updated work plan for the Ofek Hadash License. The updated plan includes, among other things, postponement of the start of production testing in the license until August 15, 2021. Furthermore, the operator in the Ofek Hadash License updated the Partnership that part of the drilling contractor's equipment which was on its way to Israel, had been delayed. Therefore, a shipping company working on behalf of the drilling contractor found alternative maritime shipping options, to collect the shipment and convey it to Israel. At the same time, the drilling operator studied options for using alternative equipment, in order to start production tests as soon as possible. On August 25, 2021, the production testing began.

6. Referring to Section 1.7.10(c) to the Periodic Report - Actual and Planned Work Plan for the Karish and Tanin Leases

In recent months, Energean Oil and Gas Plc ("Energean") and the Partnership exchanged letters concerning the Partnership's demand for payment of the remaining consideration on the debt component, to the amount of USD 65 million (before interest), in one immediate lump sum, as per the terms of the agreement for selling the rights in Karish and Tanin. As of the reporting date, the Partnership is considering suing Energean.

7. Referring to Section 1.7.13(d) to the Periodic Report - Natural Gas Supply Agreements

A. Referring to Section 1.7.13(d)(1) to the Periodic Report - On July 4, 2021, the Partnership updated on advanced negotiations between the Israel Electric Corporation ("IEC") and all the Tamar partners except the Partnership ("the Other Tamar Partners") for the sale of gas to IEC. It is further noted that, on July 27, 2021, the Other Tamar Partners and IEC signed a non-binding memorandum of understanding, subject to the completion of negotiations between these parties and the signing of an agreement. As of the reporting date, the Partnership is studying its various options for joining such an agreement.

B. Following on Section A.5 of the update to Part 3 of Chapter A - Description of the Company's Business in the Q1/2021 report - It is noted that, on May 31, 2021, the Partnership updated that following the announcement by Chevron Mediterranean Limited ("Noble" and/or "Chevron")[2], the consensual decree between Chevron and the Israel Competition Authority, under Section 50B to the Economic Competition Law, 1988, had been approved by the market competition court. Thus, on May 31, 2021, all the pre-conditions were met for the settlement agreements signed between the Tamar partners and IEC and between the Leviathan partners and IEC. For more information, see the Company's immediate report of June 1, 2021 (ref. no. 2021-01-033922), included herein by way of reference.

C. Referring to Section 1.17.13(d)(2) to the Periodic Report - On July 4, 2021, the Leviathan partners and IEC signed a spot-based natural gas supply agreement for a one-year period, at such price as the parties may determine from time to time. The agreement does not bind the parties to buy or sell any specific quantities of natural gas, and each party may cancel the agreement at any time.

D. Referring to Section 1.7.13(d)(2)(c) to the Periodic Report - On June 6, 2021, the Partnership received a letter from the Israel Competition Authority in connection with the natural gas supply agreement signed between the Leviathan partners and IEC. For more information, see the Company's immediate report of June 7, 2021 (ref. no. 2021-01-097209), included herein by way of reference. Despite the Partnership's position as presented in said immediate report, on June 10, 2021, the Leviathan partners notified the Israel Competition Authority of their agreement to repeal the 'exclusivity clause' in said agreement. On June 14, 2021, notice was given to IEC that the clause had been repealed, without such action constituting admission or agreement to the Israel Competition Authority's notice and/or to any of the arguments brought against the agreement and/or the clause. As the agreement expired on June 30, 2021, the aforesaid did not affect the Partnership's revenues in the second quarter of 2021.

E. Referring to Section 1.7.13(f)(3) to the Periodic Report - On June 14, 2021, Chevron signed a non-binding memorandum of understanding with Energy Infrastructures Ltd. ("PEI"). The memorandum of understanding divides responsibilities between Chevron and PEI in the project to build and operate specialized infrastructure for piping condensate from the Leviathan rig to specially-leased containers located in the Orot Rabin power plant, and its subsequent loading on tankers. It is clarified that the project is subject to the parties signing a binding agreement, an agreement between PEI and IEC on the use of areas located in the power plant's premises, and receipt of any necessary regulatory approvals.

8. Referring to Section 1.7.14(b)(3) to the Periodic Report - Liquid Natural Gas ("LNG")

A. On June 4, 2021, the Leviathan Partners notified Golar LNG Limited that they had decided not to extend the agreement with that company.

B. On July 6, 2021, the Leviathan partners and Exmar NV signed an amendment and addition to their agreement, to extend the agreement and continue developing their collaboration.

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[2] On June 27, 2021, Noble Energy Mediterranean Ltd., the operator in the Leviathan and Tamar projects, notified the Partnership that, starting June 28, 2021, it would officially change its name to Chevron Mediterranean Limited.

As of the reporting date, the Leviathan partners are continuing to pursue construction and operation of the FLNG facility for the Leviathan Project. The facility will be located in Israel's exclusive economic zone and will be subject to receipt of all necessary regulatory approvals.

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

A. Debentures issued by Delek and Avner (Tamar Bond) Ltd. ("Tamar Bond Debentures")

On June 14, 2021, Midroog affirmed its Baa3 (international) rating, with a negative outlook, for the Tamar Bond Debentures.

B. Leviathan Bond Ltd. debentures ("Leviathan Bond Debentures")

On July 29, 2021, S&P Global Ratings affirmed its BB- rating, with a stable outlook, for the Leviathan Bond Debentures. On July 29, 2021, S&P Maalot affirmed its ilA+ rating, with a stable outlook, for the Leviathan Bond Debentures. On August 10, 2021, Fitch Ratings affirmed its BB rating, with a stable outlook, for the Leviathan Bond Debentures.

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

(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)(1)to the Periodic Report, as follows:[3]

Financial Covenant	Examined ratio as of June 30, 2021 and near the reporting date
Partnership's economic capital	3,678
Economic capital to debt ratio	9
Distribution	-

(2) On August 12, 2021, the board of directors of Delek Drilling Management (1993) Ltd., the general partner in the Partnership, approved a plan to buy up to an estimated USD 100 million in Debentures (Series 1).

10. Referring to Section 1.7.23 to the Periodic Report - Taxes

Following on Section 1.7.23 to the Periodic Report, concerning the draft Income Tax Regulations (Rules for Measuring Taxes on the Holding and Sale of Participation Units in an Oil Exploration Partnership)(Amendment), 2020 ("the Draft Regulations") - It is noted that, on August 3, 2021, the Draft Regulations were approved by the Knesset Finance Committee. For more information, see the Company's immediate report of August 4, 2021 (ref. no. 2021-01-127248), included herein by way of reference, and Note 5K to the financial statements as of June 30, 2021, attached below.

11. Referring to Section 1.7.24(f) to the Periodic Report - Material Legal or Administrative Actions Concerning Environmental Issues

A. Following on Section 1.7.24(f)(3) to the Periodic Report, concerning a petition filed by the Homeland Guards association with the Jerusalem District Court against the Ministry of Environmental Protection and Chevron, requesting that the Ministry of Environmental Protection order the issue of a detailed decision on Chevron's request consider information concerning the flow in the Leviathan Reservoir wells as containing information which constitutes a trade secret - It is noted that, on May 23, 2021, a hearing took place in which, in light of the Ministry of Environmental Protection's agreement to publish on its website a detailed decision on the information constituting a trade secret, the court instructed that the petition be struck down.

B. Following on Section 1.7.24(f)(7) to the Periodic Report, concerning a class action filed by a resident of the Dor Beach region (in this Section - "the Applicant") on behalf of "anyone who was exposed to air, sea, and beach pollution due to prohibited emissions from the gas rig operated by the Respondents offshore from the Dor Beach, and which serves the Leviathan natural gas reservoir, in the period between the rig first coming online in December 2019 and until a ruling is handed down in this action" against Noble and Chevron Corporation - It is noted that, on June 21,

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

2021, the Applicant and Noble informed the court that they had failed to reach understandings for conducting the proceedings, and so the action should continue in court.

C. On June 6, 2021, notice was received from the Ministry of Environmental Protection concerning its plans to fine Chevron under the Clean Air Law. The fine would total NIS 914,200, and concerns a flare operation incident which took place on October 17, 2020, in which gases were allegedly pumped into the flares but not burned (cold venting). The Ministry of Environmental Protection claims two violations of the Leviathan rig's emissions permit, including absence of a pilot flame for burning the gases, and a malfunction of the indicator sensor for the pilot flame. However, the Ministry of Environmental Protection stated that it plans to impose only one fine for these violations. Chevron submitted its arguments to this notice on July 6, 2021. The Ministry of Environmental Protection has yet to submit its final decision concerning this fine, and no timeline is prescribed for such decision.

12. Referring to Section 1.7.27 to the Periodic Report - Applicability of Specific Legislation in Israel to Operations

Following on Section 1.7.27(g) to the Periodic Report, concerning a decision by the Natural Gas Market Council for specifying criteria and rates for operating the pipeline under a flow control regime - It is noted that, on August 3, 2021, a draft bill of the Economic Plan Law (Legislative Amendments for Implementing Economic Policies in the 2021 and 2022 Fiscal Years), 2021, Chapter X - Natural Gas Market ("the Draft Bill") was published for public comment. The Draft Bill proposes, among other things, to broaden the definition for the term "rates" in the Natural Gas Market Law, 2002, to include not only consumer payments for services they receive, but any payment imposed by any player in the natural gas market, including natural gas suppliers, on behalf of another license holder and for any purpose whatsoever, including the gas market's development, back-up, and redundancy. This would apply regardless of whether or not the player on whom the rate would be imposed receives any service from the license holder.

On August 10, 2021, the Tamar partners and the Leviathan partners submitted their responses to the Draft Bill. In short, they argued that the amendment constitutes a personal legislative amendment which which disproportionately damages property, aims to clear the Natural Gas Market Council's decision concerning criteria and rates for operating pipelines under a flow control regime which they argue to be unlawful and unreasonable, and is actually a form of tax legislation which does not meet accepted legislative and public norms for justifying new taxes and does not meet statutory explicit authority requirements for imposing taxes.

13. Referring to Section 1.7.28 to the Periodic Report - Additional Regulatory Restrictions

A. Following on Section 1.7.28(b) to the Periodic Report, concerning government decisions to adopt the recommendations of the Committee to Review the Government's Policies for the Natural Gas Market - It is noted that, Government Decision 465 of October 25, 2020, which concerns the encouragement of renewable energy sources, approved the second amendment to Government Decision 442 of June 23, 2013, which determined that the government would review the restrictions on permissible export limits in 2021, with a view to increase said limits. As such, on June 21, 2021, the Ministry of Energy published for public comment the interim report of the professional team for the second periodic review of the recommendations submitted by the Committee to Review the Government's Policies for Israel's Natural Gas Market ("the Interim Report"). The Interim Report stated, among other things:

(1) the Committee focused on reviewing policies for encouraging and developing the natural gas market in Israel; review and analysis of supply and demand for natural gas, based on guaranteed quantities for the domestic market, and the minimum mandatory supply volumes to the domestic market; the corresponding economic review of the benefit of natural gas exports and the necessary adjustments to minimize restrictions on natural gas exports.

(2) The Interim Report states that export policy should be re-examined, especially as concerns restrictions on quantities reserved for the domestic market (the total and minimum mandatory supply volumes). The professional team emphasizes that, should no changes be made to this policy, there is a substantial chance that Israel's natural gas resources will not be utilized in full. This will lead to significant loss of revenue for the State.

(3) The report further states that Israel's regulation of exports is stricter than other countries, and that the working assumption should be that natural gas sales have a 'window of opportunity' of 2-2.5 decades. It is thus necessary to fully leverage the existing potential for finding additional discoveries. The Interim Report states that regulation should be adjusted to

support and promote the export of natural gas. The report further states that Israel should re-examine its overall and minimum mandatory supply volumes for each reservoir.

It is noted that the Ministry of Environmental Protection objected to the proposed framework. This objection is due to its position that the proposed framework would undermine Israel's ability to wean itself off polluting fuels and transition to a competitive, low-carbon economy in line with the other OECD countries. The Partnership estimates that the Interim Report may lower barriers and restrictions on natural gas exports.

B. Following on Section 1.7.28(h) to the Periodic Report and Section A.7(d) of the update to Part 3 of Chapter A - Description of the Company's Business in the Q1/2021 Report, concerning proposed targets for lowering emissions in the energy industry in 2050 - It is noted that, on July 25, 2021, as part of Government Decision 171, to transition to a low-carbon economy ("Decision 171"), the government approved the plan to cut Israel's greenhouse gas emissions by 85% by 2050, with an interim target of cutting greenhouse gas emissions 27% by 2030. Decision 171 also sets industry-specific targets for cutting greenhouse gas emissions and making energy consumption more efficient, as well as establishing a cross-ministerial committee to formulate a national plan for achieving these goals.[4]

C. Following on Decision 171, and following a government decision to establish a carbon-pricing mechanism as a means of reaching the greenhouse gas emissions-reduction targets to which Israel is obligated, on August 2, 2021, the Ministry of Environmental Protection, the Ministry of Finance, the Ministry of Energy, and the Ministry of Economy issued a declarative announcement, along with policy whitepapers, promoting the plan for implementing a carbon tax. This carbon tax would be collected through the existing fuel tax system.[5] According to the framework agreed upon by the government ministries according to these publications, the carbon tax for all fuels, excluding natural gas, would be imposed gradually starting 2023, and is expected to match the external cost of carbon emissions in 2027. The tax on natural gas will be imposed gradually starting 2025, and is expected to match the external cost of carbon emissions in 2033.

In the transportation industry, the carbon tax will be considered separately from the fuel tax, and will be based on the external cost of greenhouse gas emissions. However, taxes on transportation fuels, which are relatively high in Israel, will not be raised. Thus, the carbon tax will only be defined in a manner that differentiates it from the fuel tax. Therefore, the carbon tax is not expected to cause an increase in fuel prices. It was further decided that internalization of the external cost of carbon emissions in natural gas consumption would be limited, to significantly mitigate the effects on electricity prices. Finally, in industry and in the electricity sector, the carbon tax will be imposed gradually instead of fuel taxes, until it reaches the external cost of carbon emissions each year.

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

A. Following on Section 1.7.30(b) to the Periodic Report concerning an application to approve a class action filed by an IEC consumer against the Tamar partners in connection with the price at which the Tamar partners sell natural gas to IEC (in this Section - "the Application for Approval") - It is noted that on June 8, 2021, the district court handed down its decision denying the Application for Approval. For more information, see the Company’s immediate report of June 8, 2021 (ref. no. 2021-01-097776), included herein by way of reference.

B. Following on Note 24A1(1) to the Company's annual financial statements, concerning a class action and an application for approval as a class action (in this Section - "the Approval Application"), filed with the Tel Aviv District Court's Economic Department by a shareholder in Tamar Petroleum Ltd. ("Tamar Petroleum") and by the Netzigey Ha'tzibur association (in this Section - "the Applicants") against the Partnership, Tamar Petroleum, their officers, and against Leader Issuances (1993) Ltd. (in this Section - "the Respondents") in connection with the issue of Tamar Petroleum shares in July 2017 - It is noted that on June 3, 2021, the Respondents requested permission to appeal the decision to approve the amended Approval Application. On July 13, 2021, the Applicants submitted their response to the request for permission to appeal. The court has yet to hand down its decision on the matter.

C. Following on Section 1.7.30(f) to the Periodic Report and Section A.7(a) of the update to Part 3 in Chapter A - Description of the Company's Business in the Q1/2021 Report, concerning a statement of claim filed by the Commissioner against the Partnership, the general partner, and the royalty-holders (which include the Company, Delek Energy Systems Ltd. and Delek Royalties (2012) Ltd.)

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4 https://www.gov.il/he/departments/policies/dec171_2021

5 https://www.gov.il/he/departments/news/israel_will_implement_carbon_pricing_for_the_first_time

and a statement of counter-claim filed by the royalty-holders, and all in connection with the investment recovery date in the Tamar Project - It is noted that meeting with the parties' representatives, the mediator met with the parties' experts at the mediator's request. Furthermore, on August 10, 2021, the parties informed the court that mediation was still underway, and the court instructed the parties to update it on their progress by October 17, 2021, and that they must complete their mediation efforts by that date.

D. Following on Section 1.7.30(j) to the Periodic Report, concerning a petition filed by the Partnership and Chevron which hold the Alon D license with the Supreme Court, sitting as the High Court of Justice - It is noted that on May 19, 2021, a hearing took place on this petition. On the hearing date, the parties agreed that Energean would be added to the proceedings as a respondent, and would submit a response on its behalf within 60 days. At that time, the parties will also inform the court of any progress in the competitive bidding process for Block 72. This, assuming that by said date, a winner would be selected in the bidding process, which is expected to affect the arguments in the petition. The court approved the procedural arrangement between the parties. On August 19, 2021, Energean filed its response arguing that the petition should be dismissed, and the license-holders filed an update that no news had been received from the State concerning the competitive bidding process for Block 72, and asked to update the court again at a later date. The court decided that further updates would be submitted by September 19, 2021.

E. Following Section A.7(b) of the update to Part 3 in Chapter A - Description of the Company's Business of the Q1/2021 Report, concerning an administrative petition filed by the Israel Union for Environmental Defense (in this section - "the Petitioner) 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, Chevron, the Partnership, Ratio Oil Exploration (1992) Limited Partnership, Givot Olam Oil Exploration Limited Partnership (1993), and the other partners in the Tamar Project (in this section - "the Respondents") - It is noted that, on July 15, 2021 and August 1, 2021, the Respondents filed their responses to the petition, arguing that the court should deny the petition and not provide the Petitioner with the requested information on the grounds that, among other things, the information falls under the fiscal confidentiality applicable to information submitted to the tax authorities.

F. Following on Section A.7(c) of the update to Part 3 in Chapter A - Description of the Company's Business of the Q1/2021 Report, concerning a petition filed by the Partnership together with the other Tamar partners and Leviathan partners against the Natural Gas Council and the Ministry of Energy - It is noted that, the court decided that the respondents must submit their responses to the petition by October 5, 2021.

G. On May 3, 2021, the Haifa Port Company Ltd. ("Haifa Port") sued Chevron, Coral Maritime Services Ltd. ("Coral"), and Gold Line Shipping Ltd. ("Gold Line") for NIS 77 million. Haifa Port claims that direct offloading of cargo on the Leviathan Rig by Chevron, without such cargo first being offloaded in an Israeli port, is against the law and was done to avoid mandatory fees due to the port, thus causing the port to incur damages. The statement of claim alleges that, from 2018 onwards, Chevron conducted such direct offloading activities while declaring to the tax authorities that Haifa Port constitutes the offloading port, even though the cargo had not actually gone through the Haifa port. The claim against Coral and Gold Line is that at the relevant times they served as shipping agents for Chevron. The Haifa Port alleges that they thus were required to pay offloading fees on Chevron's behalf. The proceeding is in its preliminary stages, and a statement of defense has yet to be filed. A pretrial hearing has been set for November 28, 2021.

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

A. Following on Sections 1.7.31 and 1.20.3 to the Periodic Report, and Section A.8 of Part e to Chapter A - Description of the Company's Business in the Q1/2021 Report, concerning efforts to potentially list the Partnership's principal assets for trading on a foreign exchange, and a corresponding application by the general partner and the limited partner in the Partnership with 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 (in this Section - "the Application") in order to approve an arrangement to swap participation units with ordinary shares in the new company incorporated in England (in this Section - "the Arrangement") - It is noted that on July 5, 2021, Cohen Development Oil and Gas Ltd., YNU Nominee Company Ltd. and JOEL Jerusalem Oil Exploration Ltd. (in this Section - "the Applicants for Inclusion") applied for inclusion as a party to the proceedings and for clarification concerning the Arrangement. On July 18, 2021, the general partner in the Partnership submitted a response to this application, and on July 26, 2021, the court decided that the Applicants for Inclusion would be included as a party to the proceedings, and that

there is no need to split the proceedings. A pre-trial hearing was postponed and is currently set for October 13, 2021.

As of the reporting date, the Partnership is continuing to work toward approving the Arrangement and to establish a timeline for its implementation, subject to receipt of all necessary approvals. 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.

B. Following on Section 1.7.31 to the Periodic Report, concerning action by the TASE and the Israel Securities Authority to amend the TASE rules and regulations to allow oil and gas partnerships to include renewable energy projects in their operations (in this Section - "the Amendment") - It is noted that, on June 20, 2021, the TASE board of directors published its decision of June 17, 2021, approving the Amendment. On July 7, 2021, the TASE published the final version of the Amendment, duly approved by the authorities as specified under the Securities Law, 1968. The Partnership accordingly plans to study options for expanding into the renewable energy market.

16. Natural gas and condensate production data from the Tamar Project for the first and second quarters of 2021:[6][7]

		Q1		Q2	
		Natural gas	**Condensate**	**Natural gas**	**Condensate**
Total output (attributable to equity holders of the Company) for the period (in MMCF for natural gas and MBBL for condensate)		7,348	9.9	7,066	9.0
Average price per output unit (attributable to equity holders of the Partnership) (USD per MCF and BBL)[8]		4.59	50.26	4.65	60.0
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	0.5	6.4
	Third parties	0.39	4.1	0.4	5.8
	Principal shareholders	-	-	-	-
Average production costs per output unit (attributable to equity holders of the Partnership) (USD per MCF and BBL)[9]		0.73	3.98	0.59	3.4
Average net proceeds per output unit (attributable to equity holders of the Partnership) (USD per MCF and BBL)		2.98	36.88	3.16	44.4

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

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

[8] 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 information, see Section 1.7.9 and Note 24A2(3) to the Company's annual financial statements, in Chapter C to the Periodic Report.

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

17. Natural gas and condensate production data from the Leviathan Project for the first and second quarters of 2021:[10][11]

		Q1	Q2
		Natural gas	**Natural gas**
Total output (attributable to equity holders of the Company) for the period (in MMCF for natural gas and MBBL for condensate)		23,762	24,214
Average price per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)		4.98	5.01
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 Company) (USD per MCF and BBL)	The State	0.54	0.55
	Third parties	0.13	0.13
	Principal shareholders	0.07	0.07
Proceeds from average royalties (each royalty payment derived from the output of the producing asset, including gross income from the oil asset) received per output unit (attributable to the Company's share) (USD per MCF and BBL)		0.12	0.12
Average production costs per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)[12][13]		0.61	0.64
Average net proceeds per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)		3.75	3.74

B. Energy operations abroad

1. Referring to Section 1.8.4 to the Periodic Report - Ithaca's Oil Assets on the Continental Shelf of the Coast of England in the North Sea

A. Referring to Section 1.8.4(e) to the Periodic Report - For information concerning the start of exploration drilling in the oil asset located in the P2372 license near the Alba Reservoir in the North Sea, and an increase in the drilling budget following indications of petroleum signs, see the Company's immediate reports of August 8, 2021 (ref. no. 2021-01-128385) June 15, 2021 (ref. no. 2021-01-039274), and August 24, 2021 (ref. no. 2021-01-136818), included herein by way of reference.

B. Referring to Section 1.8.4(f) to the Periodic Report - For information concerning a decision to perform exploration drilling in the oil asset located in the P1589 license in the Jade South Reservoir on Block 30 in the North Sea, see the Company's immediate report of August 11, 2021 (ref. no. 2021-01-130329), included herein by way of reference.

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

A. On July 30, 2021, Ithaca Energy Limited, a wholly-owned (100%) indirect subsidiary of the Company ("Ithaca"), met all the conditions for receiving refinancing facilities consisting of a USD 1,225 million reserve-based lending facility extended to Ithaca by a consortium of international banks ("the RBL Facility"). Furthermore, Ithaca completed the issue of USD 625 million in debentures and made full early repayment of the debenture series it issued in 2019 (in this Section - "the Debenture Series").

The terms of the Debenture Series include limitations on payments constituting distributions or dividends, whereby distribution is permitted only subject to the following main conditions:[14]

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

[11] As the overall cost of condensate production in the second 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.

[12] 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.

[13] 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 and second quarters of 2021, these costs totaled USD 12.5 million and USD 11.7 million, respectively (100%).

[14] However, these limitations will not apply so long as: (1) there is no violation of the debentures' terms; **and** (2) Ithaca's debentures are rated Baa3 or higher by Moody's or BBB- or higher by Standard & Poor's or Fitch. It is clarified that if, following such rating upgrade, they are subsequently downgraded below said thresholds, the following limitations will re-apply.

(1) no violations of the debentures' terms;

(2) Ithaca will be able to incur at least an additional USD 1 in debt without falling below a coverage ratio of 1:2.25 between its cash flow and fixed charges, as presented in its financial statements for the fiscal year prior to Ithaca incurring such debt (i.e. - fixed charge coverage ratio);

(3) its net debt to EBITDAX ratio ("Leveraging Ratio") is less than 1.3.

Subject to compliance with these terms, Ithaca will mainly be able to make the following distributions:

A. A cumulative amount of USD 100 million a year; or

B. If its Leveraging Ratio is below 0.6, distributing 50% of its consolidated net operating profit from the quarter preceding the date on which the debt is incurred and up to the last quarter preceding the distribution date; or

C. Should Ithaca offer to the public more than 25% of its share capital - it may distribute 50% of its consolidated net operating profit from the quarter preceding the date on which the debt is incurred and up to the last quarter preceding the distribution date.

Furthermore:

D. If Ithaca issues shares to the public – it may distribute 100% of the net issuance proceeds; and furthermore

E. If a limited investment, as defined in the issuance documents, is sold, or made in an entity which becomes one of the subsidiaries defined in the issuance documents – Ithaca may distribute 100% of the proceeds from such sale or investment, respectively; and furthermore

F. If Ithaca receives a dividend from some of its subsidiaries as defined in the issuance documents, it may distribute 100% of the proceeds, provided that such proceeds were not otherwise included in the net operating profit for that period.

For more information concerning the RBL Facility and the Debenture Series, see the immediate reports of July 20, 2021 (ref. no. 2021-01-119577), July 25, 2021 (ref. no. 2021-01-121629) and August 1, 2021 (ref. no. 2021-01-059845), included here by way of reference.

B. As of June 30, 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.

(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 June 30, 2021, this ratio stood at 3.02. Near the report's approval date, the ratio stood at 2.06.

(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 June 30, 2021, this ratio stood at 2.85. As of the report's approval date, the ratio stood at 2.38.

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 and second quarters of 2021:

	Q1			Q2		
	Oil	**Natural gas**	**Condensate**	**Oil**	**Natural gas**	**Condensate**
Total output for the period	1,801,559 bbl	-	-	1,890,285 bbl	-	-
Average price per output unit (attributable to equity holders of the Company) (USD per boe)	58.0	-	-	71.6	-	-
Average production costs per output unit (USD per boe)	17.1	-	-	15.2	-	-

Average net proceeds per output unit (USD per boe)	41.0	-	-	56.5	-	-

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

	Q1			Q2		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output for the period	364,950 bbl	3,498 mcf	131,651 bbl	287,727 bbl	2,933 mcf	101,021 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per boe)	64.50	37.2	44.5	74.4	49.6	44.3
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	0.9	0.9	0.9
Average production costs per output unit (USD per boe)	11.1	11.1	11.1	13.5	13.5	13.5
Average net proceeds per output unit (USD per boe)	52.6	25.2	32.6	60.0	35.2	29.9

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

	Q1			Q2		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output for the period	650,680 bbl	4,264 mcf	61,819 bbl	391,278 bbl	1,415 mcf	13,516 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per boe)	64.5	39.8	47.7	64.5	42.1	47.7
Average production costs per output unit (USD per boe)	19.4	19.4	19.4	41.1	41.1	41.1
Average net proceeds per output unit (USD per boe)	45.1	20.4	28.2	23.4	0.9	6.5

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

	Q1			Q2		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output for the period	547,075 bbl	5,224 mcf	123,751 bbl	354,879 bbl	2,991 mcf	101,060 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per boe)	56.7	20.5	41.5	56.7	50.5	41.5

Average production costs per output unit (USD per boe)	15.4	15.4	15.4	24.6	24.6	24.6
Average net proceeds per output unit (USD per boe)	41.3	26.3	26.1	32.1	25.8	16.9

C. Fuel products in Israel

1. Referring to Section 1.9 to the Periodic Report - Fuel Products in Israel

Following on Section 1.9 to the Periodic Report concerning the sale of Delek the Israel Fuel Corporation Ltd. ("Delek Israel" shares to Lahav LR Realestate Ltd. and BGM Ltd. - On June 23, 2021 the Company received the remaining balance of the deferred consideration, to the amount of NIS 37.5 million, as specified in the sales agreement. For more information, see the Company's immediate report of June 23, 2021 (ref. no. 2021-01-105672), included herein by way of reference.

Part Four – Matters Relating to the Company as a Whole

A. Referring to Section 1.11 to the Periodic Report - Human Capital

For information concerning the end of Mrs. Carmit Sharon Elroy's tenure on the Company's Board of Directors, see the Company's immediate report of May 31, 2021 (ref. no. 2021-01-093078), included herein by way of reference.

B. Referring to Sections 1.14.9 and 1.14.12 to the Periodic Report - Financing

1. In June and July 2021, the Company issued to the public NIS 770,806,000 par value in Debentures (Series B35), a new debenture series, for a total (gross) consideration of NIS 774 million. In accordance with the terms of the deed of trust signed with Mishmeret Trust Company Ltd. ("the Trustee"). For more information, see the Company's immediate reports of June 23, 2021 (ref. no. 2021-01-105618) and (ref. no. 2021-01-105834) and June 27, 2021 (ref. no. 2021-01-107079), July 28, 2021 (ref. no. 2021-01-058702), July 29, 2021, (ref. no. 2021-01-124485), and August 1, 2021 (ref. no. 2021-01-059836), included herein by way of reference. For more information concerning the deed of trust, registration of the liens under said deed, and receipt of the consideration, see the Company's immediate reports of June 28, 2021 (ref. no. 2021-01-043978), July 6, 2021 (ref. no. 2021-01-112782), and August 11, 2021 (ref. no. 2021-01-130326), included herein by way of reference.

2. Following on Section B1 above, the following table presents the number of participation units in the Partnership, pledged as of the publication date of this report:

Participation units pledged to the holders of Debentures (Series B13, B18, B19, B22, B31, B33, and B34)	469,525,878
Participation units pledged to the holders of Debentures (Series B35)	153,334,217
Unencumbered participation units (held indirectly by a wholly-owned Company investee)[15]	13,138,378

C. Referring to Section 1.15.1 to the Periodic Report - Loans and Guarantees by the Company

Following on Section B.3 of Part 3 to this report, concerning completion of the contract to provide the RBL facility and to issue debenture series - On August 2, 2021, Ithaca repaid the Company USD 250 million of its shareholder loan.

D. Referring to Section 1.19 of the periodic report concerning legal actions -

1. On July 16, 2021, an application for approval as a class action was brought against the Company, alleging a violation of the Equal Rights for People with Disabilities Law, 1988, and for violations of the Equal Rights for People with Disabilities Regulations (Service Accessibility Adjustments), 2013 ("the Equal Rights Law and Regulations"). The application was filed on behalf of: "All people with disabilities whose ability to obtain information from documents filed by the respondent as part of its filings on the MAGNA and MAYA systems had been prevented or limited, as these filings had not been made accessible as required by law, from October 26, 2017 and until the date on which the class action is filed subsequent to its approval". To the best of the Company's knowledge, the application was filed as part of numerous identical applications for approval, filed in the same period against reporting companies, on the same grounds.

The applicant alleges that the Company violates the Equal Rights Law and Regulations, as the Company's filings on the MAGNA and MAYA system are made in PDF format, and so do not comply with accessibility requirements. The amount of the claim totals NIS 7.5 million. The proceeding is in its preliminary stages, and a response has yet to be filed to the application.

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[15] Excluding participation units in the Partnership held by Avner Oil and Gas Ltd., which are 50% held by Delek Energy Systems Ltd. (a wholly-owned Company investee).

2. On July 21, 2021, the Company filed a NIS 31 million claim against United Tours, which had sold the Company the land in Herzliya on which the Company's offices are located as detailed in Section 1.10(a) to the Periodic Report, and against Dan Public Transportation Company Ltd. (which guaranteed the sales agreement), among other things, for building and waterproofing defects. The proceeding is in its preliminary stages, and the defendants have yet to file a statement of defense.

Delek Group Ltd.
Date: August 25, 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

August 25, 2021

Delek Group Ltd.

Board of Directors' report on the state of the Company's affairs
For the six and three months ended June 30, 2021

The Board of Directors of the Delek Group Ltd. ("the Company") hereby presents the Company's Board of Directors' Report for the six and three months ended June 30, 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.

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 June 30, 2021, the Company's auditors draw attention to Note 1 to the consolidated interim financial statements, including as concerns 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 amended deed of trust of May 30, 2021 - see Note 6B to the consolidated interim financial statements. As of the approval date of the consolidated interim financial statements, the Company's debentures were rated B.

As detailed in Note 1 to the consolidated interim financial statements, continued timely repayment of liabilities by the Company and the staff companies relies and depends on their ability to dispose of significant volumes of assets and investments, their ability to raise significant volumes of debt and capital some of which is required in the near future and substantially affected by oil and gas prices and their ability to receive significant volumes of dividends and/or collect loans from investee companies and partnerships.

In accordance with its plans, during the second quarter of 2021 and subsequent to the reporting period the Company performed several transactions, the material of which included the issuance of a new series of debentures for a total consideration of NIS 770 million, and repayment of the shareholder loan which the Company had previously extended to a subsidiary to the amount of NIS 800 million. This latter transaction was made after the subsidiary completed a debt restructuring round.

The Company has successfully worked and continues to work to implement its plans which include completing equity transactions in its investees, including capital raising, disposing of assets and investments, raising asset-backed debt, and receiving dividends from investees in order to meet its obligations. Furthermore, as of the financial statements' approval date, the Company has several

options should any of its plans for the near future fail to materialize or fail to materialize in full. These include, among other things, financing and/or additional asset disposals available to the Company, such as: 100% of Ithaca's shares, seller's loan for The Phoenix, sale of Company-owned real estate assets, and a proven ability to raise equity.

Based on past experience and the Company's proven ability to raise the sources required to meet its obligations, as also seen in the past eighteen months (during the global COVID-19 pandemic), the Company believes its plans to be reasonable, and that there is a good chance that they will be realized.

As completion of the Company's plans are outside its sole control and depend, among other things, on third parties and/or market conditions and in light of the financial covenants established with the Company's debenture-holders and other creditors (mainly an upgrade of the debentures' rating to BBB-), which may require, should the debentures' rating not be upgraded by such dates as specified, the debenture-holders' agreement not to call on the debentures for immediate repayment, there is uncertainty as to the actual materialization of said plans. These factors raise doubt as to the Company's continued operation 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.
- 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.
- 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. As of the consolidated interim financial statements' approval date, the Partnership is nearing the signing of a binding sales agreement, to sell its rights in the Tamar and Dalit leases. 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 Phase 2 of the Captain Reservoir's development, 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 half of 2021. Production from this reservoir is expected to begin in the third quarter of 2022.
- Subsequent to the financial position statement date, in August 2021, Ithaca began exploration in the Fotla reservoir, located about 12 kilometers from the Alba North platform. Ithaca holds 60% of the rights to the reservoir, and also serves as operator. Subsequent to the financial position

statement date, in August 2021, following indications of petroleum signs in the well, the partners in the oil asset decided to increase the drilling budget by GBP 7.3 million (NIS 33 million) (100%; Ithaca's share – GBP 4.38 million (NIS 20 million)), to support assessment drilling and other tests.

- Ithaca is also pursuing development plans for additional reservoirs in the GSA, and is studying additional development opportunities in the portfolio acquired in the Chevron transaction.

- In May 2021, Ithaca distributed USD 15 million in dividends.

- Subsequent to the financial position statement date, in July 2021, Ithaca completed its refinancing initiative. This initiative comprises an agreement with a consortium of international banks for USD 1.225 billion in resource-based (RBL) credit facilities and guarantees, repayable in 2026. The refinancing initiative also includes USD 625 million in debentures raised on July 23, 2021, which mature in 2026 ("the Debenture Series"). The overall blended interest rate for this financing (the RBL facility, assuming full utilization and excluding the guarantees, plus the Debenture Series) is 5.2%, as detailed below.

  Immediately after completing this refinancing round, Ithaca repaid the Company a total of USD 250 million against the shareholder's loan that the Company provided Ithaca. Furthermore, proceeds from the debentures, along with amounts withdrawn from the RBL facility were used for the final (early) repayment of Ithaca's existing debenture series, to the amount of USD 500 million. These debentures were due to mature in 2024. Finally, said sources were used to cover the refinancing costs.

- In the second quarter of 2021, following a recovery in oil and gas prices, the Group reversed its provision for impairment of oil and gas assets in the North Sea (mainly in connection with the GSA reservoirs), to the amount of USD 102 million, pre-tax (NIS 333 million), and USD 61 million, post-tax (NIS 199 million).

- After completing the refinancing round as aforesaid, the Company and Ithaca's management are pursuing an equity transaction in Ithaca, including by listing Ithaca's shares for trading on the main exchange in London in 2021. As part of this plan, Ithaca and the Company are also studying options for performing an exchange purchase offer, whereby part of the Company's debentures would be exchanged for Ithaca shares. Such exchange would include up to 25% of Ithaca's share capital, so that following such exchange, the Company would hold 75% of Ithaca's share capital. Should such an exchange be made, then immediately after Ithaca's shares are listed for trading in London, should they be listed, Ithaca will also work to its shares on the Tel Aviv Stock Exchange, under dual-listing guidelines.

Other Operations

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

  As part of the sale of The Phoenix's shares, the Company provided the buyer a subordinate loan whose balance as of June 30, 2021 was NIS 236 million ("the Seller's Loan"). This balance accounts for NIS 35 million which the buyer repaid in April 2021.

  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 June 30, 2021, the net fair value of these instruments totaled NIS 199 million (as of December 31, 2020 - NIS 143 million). As such, in the reporting period the Company recognized gains of NIS 90 million, presented under the 'Profit (loss) from discontinued operations, net' item.

- 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 the full amount of the deferred consideration, against the transfer of 10% of Delek Israel's share capital. The buyer also exercised its option to buy an additional 5% of Delek Israel. The total consideration received by the Group in the reporting period totaled NIS 112.5 million. Gains on these sales totaled NIS 10 million, 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, subject to various suspending conditions, to sell an investment-property asset in Acre, as-is, for a total consideration of NIS 200 million. As of the financial statements' approval date, a total of NIS 50 million was received from the buyer. This amount 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.

Issuance of shares and warrants

- In the first half of 2021, a total of 378,999 warrants (Series 10) were exercised into 378,999 shares of NIS 1 par value in the Company, for a total consideration of NIS 29 million. Furthermore, 119,203 warrants (Series 12) were exercised into 119,203 shares of NIS 1 par value, for a total consideration of NIS 9 million. A total of 1 warrant (Series 10) expired.

  As of June 30, 2021, and near the financial statements' approval date, there were 502,758 warrants (Series 11), and 259,792 warrants (Series 12) in circulation.

- In April 2021, the Company issued 63,400 ordinary shares of NIS 1 par value each, for a total consideration of NIS 10 million.

- Subsequent to the financial position statement date, in August 2021, the Company issued 274,264 shares of NIS 1 par value each (189,064 shares of NIS 1 par value to the public, and 85,200 shares of NIS 1 par value by way of private placement), and 47,266 warrants (Series 13) to the public. All warrants (Series 13) are exercisable into one ordinary share in the Company by August 5, 2022, in consideration for an exercise premium (adjusted for dividends, bonuses, and rights) of NIS 300 per warrant. Proceeds from this issuance (before issuance costs) totaled NIS 50 million.

- Near the financial statements' approval date, following the issuance of shares and warrants and warrant exercises as detailed above, the Company's issued and paid-up capital totaled 17,995,583 shares of NIS 1 par value each.

Debenture issuance

In June-July 2021, the Company issued NIS 770,806,000 par value in new Debentures (Series B35), for a total consideration of NIS 770 million (NIS 764 million, after issuance costs). The debentures are not linked to the CPI, and bear 7.2% annual interest. The principal of these debentures is payable in five annual payments starting December 31, 2023. To secure Debentures (Series B35), the Group pledged Delek Drilling participation units at a ratio of 1:1. The Company also committed to certain financial covenants. For more information, see Note 6A to the consolidated interim financial statements and Appendix A to this report.

3. Results of Operations

A) The profit attributable to the Company's shareholders totaled NIS 581 million in the reporting period, as compared to a loss of NIS 3,092 million in the same period last year.

Losses in last year's period were mainly due to an accounting write-down which the Group was forced to recognize on its holdings in Ithaca in the first quarter of 2020 in light of the global crisis in energy markets caused by the COVID-19 pandemic, and the price war between Russia and the Gulf States in that period. It is noted that, in the fourth quarter of 2020, and in the present reporting period, the Group reversed part of this impairment. Furthermore, in the second quarter of 2020, the Group recognized a loss of NIS 235 million (post-tax) on the sale of its investment in Cohen Development shares, and a loss of NIS 90 million (in the first half of 2021) from fair value changes to seller's loan to The Phoenix's buyers.

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

	Q1/ 2021	Q2/ 2021	H1/ 2021		Q1/ 2020 *)	Q2/ 2020 *)	H1/ 2020 *)		2020**)
Oil and gas exploration and production in and around Israel 1)	166	159	325		136	11	147		326
Oil and gas exploration and production in the North Sea 2)	141	18	159		37	102	139		375
Contribution of continuing operations before discontinued operations and capital and other gains	**307**	**177**	**484**		**173**	**113**	**286**		**701**
Reversal of impairment (impairment) of gas and oil assets, goodwill, and others in oil and gas operations 3)	-	212	212		(2,358)	(220)	(2,578)		(1,707)
Finance, tax, and other income (expenses) 4)	(28)	(87)	(115)		(581)	(219)	(800)		(811)
Net profit (loss) attributable to Company shareholders	**279**	**302**	**581**		**(2,766)**	**(326)**	**(3,092)**		**(1,817)**

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

**) Adjusted retrospectively - See Note 3B(1) to the consolidated interim financial statements.

1) Excluding gains or losses on the sale of oil and gas assets and revaluation of amounts receivable and a right to royalties from the Karish and Tanin leases; and also excluding losses recognized in profit or loss from fair value adjustments to the balance of the investment in Tamar Petroleum, included under the 'Finance, tax, and other income (expenses)' item.

2) In the reporting period, the item excludes gains from the reversal of impairment on oil and gas assets to the amount of NIS 199 million post-tax (USD 61 million). In the same period of last year and in all of 2020, the item excludes losses from impairment on oil and gas assets and goodwill to the respective amounts of NIS 2,378 million, post-tax (USD 667 million) and NIS 1,397 million, post tax (USD 396 million).

3) In the reporting period, the item includes gains on the reversal of a provision for impairment to the amount of USD 61 million (NIS 199 million), mainly on GSA assets. In the same period of last year, the item includes losses on disposal of the investment in Cohen Development, to the amount of NIS 235 million, post-tax, and losses on impairment of oil and gas assets in the North Sea as detailed in Section 2 above.

4) In the reporting period, the item includes NIS 90 million in gains on fair value changes in the seller's loan extended to The Phoenix's buyers (in the same period last year - losses of NIS 90 million, and in 2020 - losses of NIS 23 million). In the corresponding period of last year, the item includes a NIS 210 million write-down of the securities portfolio (in 2020 - NIS 194 million). Furthermore, in the corresponding period of last year, the item includes the results of power plant operations (including a provision for impairment) to the amount of NIS 174 million (2020 - NIS 197 million).

   In addition, following the loss of the control in Delek Israel, the item includes the Group's share in Delek Israel's results (Delek Israel's operating profit in the reporting period totaled NIS 3 million; in the same period last year - losses of NIS 159 million; in 2020 - losses of NIS 123 million). In the reporting period, the item includes NIS 10 million in gains on the exercise of a deferred consideration and an option given to Delek Israel's buyers; in 2020 - gains on the disposal of Delek Israel's shares and revaluation of the remaining investment to the amount of NIS 131 million.

B) Revenues from operating activities (NIS millions):

The Group's revenues in the reporting period totaled NIS 3.7 billion, as compared to NIS 3.3 billion in the same period last year, as detailed in the table below (NIS millions):

	1-6/2021	1-6/2020*)	4-6/2021	4-6/2020*)		2020
Oil and gas exploration and production in and around Israel	1,564	1,172	786	498		2,667
Oil and gas asset development and production in the North Sea	2,085	2,190	959	971		4,052
Other segments including adjustments	5	(30)	(1)	(17)		(48)
Total revenues	**3,654**	**3,332**	**1,744**	**1,452**		**6,671**

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

See also Note 11 to the consolidated interim financial statements - Information Regarding Operating Segments.

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

	1-6/2021	1-6/2020*)	4-6/2021	4-6/2020*)		2020
Oil and gas exploration and production in and around Israel	1,007	411	515	4		705
Oil and gas asset development and production in the North Sea	927	(2,749)	545	340		(734)
Other segments including adjustments	(11)	(38)	(8)	(27)		(65)
Total operating profit (loss)	**1,923**	**(2,376)**	**1,052**	**317**		**(94)**

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

See also Note 11 to the consolidated 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:

	1-6/2021	1-6/2020	4-6/2021	4-6/2020	2020
IDE [1)]	-	2	-	-	2
EMED	(8)	-	(4)	-	(26)
Others	7	2	(1)	2	14
Total	**(1)**	**4**	**(5)**	**2**	**(10)**

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

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

	1-6/2021	1-6/2020*)	4-6/2021	4-6/2020*)	2020
Revenues	3,654	3,332	1,744	1,452	6,671
Cost of sales	1,958	1,846	977	791	3,536
Gross profit	**1,696**	**1,486**	**767**	**661**	**3,135**
General and administrative expenses	75	127	39	77	241
Group's share in earnings (losses) of operating associates, net	(1)	1	(5)	1	(15)
Other income (expenses), net	303	(3,736)	329	(268)	(2,973)
Operating profit (loss)	**1,923**	**(2,376)**	**1,052**	**317**	**(94)**
Finance income	115	89	39	34	382
Finance expenses	(867)	(1,258)	(415)	(519)	(2,294)
Profit (loss) after finance expenses, net	**1,171**	**(3,545)**	**676**	**(168)**	**(2,006)**
Group's share in the earnings of associates, net	-	3	-	1	5
Profit (loss) before income tax	**1,171**	**(3,542)**	**676**	**(167)**	**(2,001)**
Income tax (tax benefit)	343	(955)	221	25	(406)
Profit (loss) from continuing operations	**828**	**(2,587)**	**455**	**(192)**	**(1,595)**
Profit (loss) from discontinued operations, net	**95**	**(401)**	**21**	**(86)**	**(158) ****
Net profit (loss)	**923**	**(2,988)**	**476**	**(278)**	**(1,753)**
Attributable to -					
Company shareholders	581	(3,092)	302	(326)	(1,817)
Non-controlling interests	342	104	174	48	64
	923	**(2,988)**	**476**	**(278)**	**(1,753)**

*) Re-stated. See Noted 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):

	1-6/2021	1-6/2020*)	4-6/2021	4-6/2020*)		2020
Net profit (loss)	**923**	**(2,988)**	**476**	**(278)**		**(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	86	(139)	14	10		(101)
Gain on financial assets at fair value through other comprehensive income	-	1	-	(8)		-
Transfer to profit or loss from adjustments from translation of overseas operations	-	28	-	13		28
Gain (loss) from cash flow hedges	(614)	985	(389)	(201)		645
Transfer to profit or loss from cash flow hedges	77	(379)	70	(248)		(570)
Adjustments from translation of overseas operations (***)	125	169	(223)	(232)		(594)
Other comprehensive income (loss) attributable to associates, net	-	(2)	-	-		(2)
Total other comprehensive income (loss) from continuing operations	**(326)**	**663**	**(528)**	**(666)**		**(567)**
Total comprehensive income (loss)	**597**	**(2,325)**	**(52)**	**(944)**		**(2,320)**
Attributable to:						
Company shareholders	**181**	**(2,442)**	**(149)**	**(963)**		**(2,091)**
Non-controlling interests	**416**	**117**	**97**	**19**		**(229)**
	597	**(2,325)**	**(52)**	**(944)**		**(2,320)**

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

**) Adjusted retrospectively - 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 1.4% against the NIS, as compared to a gain of 0.3% in the same period last year.

4. Financial Position

The Group's total assets as of June 30, 2021, amounted to NIS 35.8 billion, compared with NIS 34.4 billion as of December 31, 2020. It is noted that, of these amounts, as of June 30, 2021 and December 31, 2020, NIS 4 billion were presented under held-for-sale assets and mainly include assets attributable to the Group's rights in the Tamar Project.

Principal changes in assets and liabilities as included in the consolidated statements as of June 30, 2021, compared with December 31, 2020:

Cash and cash equivalents and short-term investments

As of June 30, 2021, the Group had cash and short-term investment balances of NIS 2.1 billion, consisting mainly of balances of NIS 0.6 billion in the Company and staff companies, and NIS 1.4 billion 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 June 30, 2021, amounted to NIS 1.6 billion, as compared to NIS 1.5 billion as of December 31, 2020.

As of June 30, 2021, the Group's non-current assets totaled NIS 28.1 billion, similar to the figure as of December 31, 2020.

Short- and long-term liabilities

Financial liabilities (to banks and others and to debenture-holders and holders of convertible debentures), as of June 30, 2021, amounted to NIS 20 billion, as compared to NIS 18.3 billion as of December 31, 2020. This increase was due to the presentation of NIS 2 billion in debentures issued to finance the Tamar Project (Tamar Bonds) under 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 opinion on the financial statements, the Company's auditors draw attention to legal actions brought against Group companies. For details, see Note 8 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 June 30, 2021:[(1)]

	NIS millions
Liabilities	
Debentures	(5,506)
Loan from subsidiary (*)	(259)
Bank and other loans	(269)
Other liabilities	(283)
Total liabilities	**(6,317)**
Assets	
Cash and deposits	56
Restricted deposits and investments in securities	200
Deposit in the debentures' escrow account	515
Loans (**)	1,240
Other payables	52
Treasury shares (***)	128
Total assets	**2,191**
Financial debt, net	**(4,126)**

(*) 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 June 30, 2021:

Borrower	Loan balance (NIS millions)
Loans to Ithaca (1)	913
Seller's loan - The Phoenix transaction	199
Others	128
Total	**1,240**

(1) Subsequent to the financial position statement date, Ithaca repaid USD 250 million of the shareholder loan. For more information, see Note 5N.

(***) As of June 30, 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.

[(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 Holdings Limited, 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 June 30, 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 earnings and dividend distributions from investee partnerships and companies, the Company's cash balances which service operating activities and liability repayments, plans to raise funds, including through equity transactions in its investees, disposing of other assets, financing backed by Delek Drilling participation units, and capital raising.

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 Jul. 1, 2021 to Dec. 31, 2021	2022	From Jan. 1, 2023 to Jun. 30, 2023
Opening cash balance	1	569	280	261
Inflows				
Forecast earning distributions from Delek Drilling	2	-	139	139
Repayment of shareholder loan – received in cash	3	805	-	-
Forecast dividend distributions from Delek Israel	4	38	19	-
Total dividends from investees		**843**	**158**	**139**
Disposal of real estate asset - Acre	5	190	-	-
Disposal of other assets	5	-	-	753
Disposal of real estate assets	5	19	-	-
Capital raising - Company shares	6	123	74	-
Other inflows	-	-	4	4
Equity transaction in Ithaca	7	648	-	-
Total other inflows		**980**	**78**	**757**
Financing against pledge of Delek Drilling units – received in cash	8	254	-	-
Financing against pledge of Delek Drilling units	8	-	395	-
Total loans and additional raising		**254**	**395**	**-**
Total inflows		**2,077**	**631**	**896**
Outflows				
Principal payments on debentures	9	572	1,787	736
Interest payments on debentures	9	158	253	101
Interest payments on bank loans and other liabilities	10	6	16	14
Total debt payments (principal and interest)		**736**	**2,056**	**851**
Other outflows	11	94	130	49
Total other outflows		**94**	**130**	**49**
Deposit in an account pledged to the debentures' trustee	12	1,536	(1,536)	-
Total outflows		**2,366**	**650**	**900**
Closing cash balance		**280**	**261**	**257**

Assumptions underlying forecast cash flows for July 1, 2021 to June 30, 2023

General assumptions

- USD amounts were translated at an exchange rate of USD 1 = NIS 3.24.
- Debentures and loans are linked to the known CPI as of June 30, 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 financial statements' approval date totaled NIS 174 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 early 2023.

   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. Repayment of shareholder loan

   In August 2021, Ithaca repaid the shareholder loan to the amount of USD 250 million (NIS 805 million).

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 real estate and other assets

   Disposal of investment property in Acre - According to the agreement for the sale of investment property in Acre, signed in March 2021, the Group is expected to receive a consideration of NIS 190 million (of which NIS 10 million were received in January 2021).

   Disposal of real estate assets – Inflows of NIS 19 million are expected, in accordance with the agreements to sell 2 Company-owned gas stations.

   Disposal of other assets - This item includes the Group's estimates that, in the above cash flow period, the Group will work to dispose of all or part of its holdings in Delek Overriding Royalty Leviathan Ltd. and Delek Israel shares, in accordance with the Company's needs.

6. Capital raising - Company shares

   Following on the Company Board of Director’s decision of May 2021 to work towards raising an additional NIS 125 million in capital in 2021, and NIS 75 million in the first quarter of 2022, in accordance with the May 2021 amendment to the deed of trust with the Company's debenture holders, in August 2021, the Company issued NIS 49 million in shares.

7. 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 a loan convertible into 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 200 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.

8. 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 649 million. Of this amount, NIS 254 million were received in July 2021, following the expansion of Debentures (Series B35) which are secured by a first lien on Delek Drilling participation units at a debt-to-collateral ratio of 100%. This, in addition to NIS 518 million in Debentures (Series B35) issued by the Company in June 2021, which are included in the opening balance.

9. 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 and includes the interest on Debentures (Series B35). For more information on agreements with debenture holders, see Note 6B to the consolidated interim financial statements.

10. Loan payments to banks and others, net

    The item includes interest payments on loans received by the Company, including the loans detailed in Section 8 above.

11. Other outflows

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

12. 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.

13. 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, and debt recycling on the market depending on the debentures' yield.

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):

	1-6/2021	1-6/2020	4-6/2021	4-6/2020		2020
Revenues from gas sales net of royalties	**1,564**	**1,172**	**786**	**498**		**2,667**
Operating profit (adjusted for impairment and losses on disposal of oil and gas assets)	**1,014**	**744**	**515**	**280**		**1,619**
Loss on disposal of oil and gas assets	-	(235)	-	(235)		(235)
Impairment of oil and gas assets	(7)	(57)	-	-		(679)
EBITDA	**1,263**	**998**	**658**	**418**		**2,238**
Finance income (expenses), net	(269)	(368)	(138)	(183)		576
Net profit (loss) attributable to Group shareholders	**340**	**(53)**	**174**	**(211)**		**117**
Gas sales from Tamar, in BCM (*)	3.4	3.4	1.7	1.4		8.2
Gas sales from Leviathan, in BCM (*)	5.5	3.1	2.8	1.5		7.3
Gas sales in BCM (*)	**8.9**	**6.5**	**4.5**	**2.9**		**15.5**
Condensate sales - thousands of barrels (***)	**585**	**354**	**292**	**141**		**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%) 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 340 million, as compared to a loss of NIS 53 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. The loss in the corresponding period of last year was mainly due to losses on disposal of the investment in Cohen Development, to the amount of NIS 235 million (post-tax).

Revenues from gas sales net of royalties

In the reporting period, revenues from oil and gas sales, net of royalties, totaled NIS 1,564 million, compared with NIS 1,172 million in the same period last year. This increase was mainly due to an increase in gas sold from the Leviathan Reservoir, from 3.1 BCM in the corresponding period of last year, to 5.5 BCM in the present reporting period.

In the second quarter of 2021, revenues from gas and oil sales net of royalties amounted to NIS 786 million, compared to NIS 498 million in the same quarter last year. This increase was mainly due to the greater volumes of natural gas sold from the Leviathan Reservoir.

Operating profit (excluding impairment of oil and gas assets and investment disposal losses)

Operating profit in the reporting period amounted to NIS 1,014 million, compared to NIS 744 million in the same period last year.

In the second quarter of 2021, operating profit totaled NIS 515 million, as compared to NIS 280 million in the same quarter last year.

This increase in operating profit was mainly due to increased production in the Leviathan Reservoir as aforesaid.

Finance income (expenses), net

In the reporting period, net finance expenses totaled NIS 269 million, as compared to net finance expenses of NIS 368 million in the same period last year. This decrease in finance expenses in the reporting period, as compared to the same period last year, was mainly due to the average exchange rate being lower in the reporting period as compared to the same period last year. The decrease was further impacted by a decrease in the Partnership's finance expenses, mainly due to the issuance of Leviathan Bond debentures and repayment of liabilities to banks in connection with the Leviathan Project. Finally, the decrease was also due to the repayment of the 2020 principal of the Tamar Bonds. All these transactions took place in the second half of 2020. Furthermore, income was recorded in the corresponding period last year on the revaluation of a contingent consideration concerning the Karish and Tanin leases. This income totaled NIS 57 million in the corresponding period last year, as compared to revaluation income of NIS 40 million in the reporting period.

In the second quarter of 2021, net finance expenses amounted to NIS 138 million, compared with NIS 183 million in the corresponding quarter last year. Finance expenses were down, mainly due to the aforesaid reasons.

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

	1-6/2021	1-6/2020	4-6/2021	4-6/2020		2020
Net profit from Delek Drilling's statements	**804**	**423**	**403**	**126**		**1,256**
Indirect holdings (%)	54.7%	(*)	54.7%	54.7%		(*)
Group's share	**440**	**247**	**221**	**69**		**702**
Income tax	(66)	(32)	(33)	(24)		(132)
Revenues from overriding royalties	19	18	10	5		32
Results of direct holdings in Yam Tethys (4.44%)	-	(3)	-	(1)		(4)
Amortization of excess acquisition costs **)	(18)	(22)	(9)	(10)		(47)
General and administrative expenses	(17)	(3)	(10)	(2)		(29)
Finance income (expenses), net	(11)	(23)	(5)	(13)		(76)
Other income (expenses)	(7)	(235)	-	(235)		(329)
Contribution to net profit from oil and gas exploration and production	**340**	**(53)**	**174**	**(211)**		**117**

*) In March 2020, the Company's indirect holdings in Delek Drilling went down to 54.7%. Until March 2020, these holdings totaled 59.7%.

(**) Current amortization of excess cost attributable to the Tamar and Leviathan projects (previously recognized as part of the Cohen Development transaction).

For more information on oil and gas exploration and production in and around Israel, see Notes 3, 5, 8 and 11 to the consolidated interim financial statements.

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

Ithaca is an independent oil and gas operator in the North Sea, holding both production and development assets.

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)	June 30, 2021	December 31, 2020
Cash and cash equivalents	8	1
Other current assets	276	244
Investments in oil and gas exploration and production	2,508	2,513
Other assets, net (mainly deferred taxes)	675	665
Goodwill	767	767
Total assets	**4,234**	**4,190**
Current liabilities (trade and other payables)	582	335
Bank loans, RBL, and debentures	992	1,187
Loan from the Delek Group	280	271
Other long-term liabilities (mainly obligation to disassemble assets)	1,554	1,500
Equity attributable to Ithaca's shareholders	**826**	**897**
Total liabilities and equity	**4,234**	**4,190**

Income statement

(USD millions)	1-6/2021	1-6/2020	4-6/2021	4-6/2020	2020
Revenues from oil and gas sales	639	624	294	276	1,176
Cost of sales (excluding depreciation and inventory turnover)	(206)	(203)	(103)	(91)	(421)
Depreciation expenses	(193)	(197)	(88)	(80)	(346)
Oil and gas inventory turnover	(48)	(6)	(33)	7	(2)
Gross profit	**192**	**218**	**70**	**112**	**407**
Reversal of impairment (impairment) of oil and gas assets and goodwill	102	(966)	102	-	(518)
Other expenses, net	(9)	(18)	(4)	(14)	(38)
Finance expenses, net	(89)	(125)	(43)	(57)	(221)
Profit (loss) before income tax	**196**	**(891)**	**125**	**41**	**(370)**
Tax benefit (tax expenses)	(87)	265	(59)	(12)	84
Net profit (loss) attributable to Ithaca's shareholders	**109**	**(626)**	**66**	**29**	**(286)**
Output in the reporting period (KBoe)	**10,215**	**13,244**	**4,365**	**6,404**	**24,250**
Average daily output (KBoed)	**56.4**	**72.8**	**48.0**	**70.4**	**66**

EBITDAX and adjustment to net profit

(USD millions)	1-6/2021	1-6/2020	4-6/2021	4-6/2020	2020
Revenues, net *)	**564**	**610**	**243**	**278**	**1,144**
Operating expenses	(180)	(192)	(86)	(85)	(389)
General, administrative, currency, and other expenses	(6)	(19)	-	(15)	(10)
EBITDAX	**378**	**399**	**157**	**178**	**745**
One-time costs, in cash	-	-	-	-	(21)
Depreciation and amortization	(193)	(197)	(88)	(80)	(346)
Impairment of gas and oil assets and goodwill	102	(966)	102	-	(518)
Other non-cash income (expenses)	8	(6)	-	1	3
Net finance expenses, excluding results of hedges	(99)	(121)	(46)	(58)	(233)
Tax benefit (tax expenses)	(87)	265	(59)	(12)	84
Net profit (loss) attributable to Ithaca's shareholders	**109**	**(626)**	**66**	**29**	**(286)**

*) Net revenues, including (excluding) gains (losses) on hedges, inventory changes, royalty expenses, and oil tanker costs.

Additional data concerning Ithaca's results:

Revenues

Ithaca's revenues in the reporting period totaled USD 639 million, as compared to revenues of USD 624 million in the same period last year. Revenue composition was as follows:

Sales revenues (USD millions)	1-6/2021	1-6/2020	4-6/2021	4-6/2020	2020
Oil	471	315	248	113	585
Natural gas	146	73	59	22	172
NGL (natural gas liquids)	21	17	7	4	36
Other income	14	2	7	1	10
Gains (losses) on hedges	(13)	217	(27)	136	373
Total	**639**	**624**	**294**	**276**	**1,176**

Output in the reporting period totaled 10.2 mmbbl (56.4 mbbl/day, on average), as compared to 13.2 mmbbl (72.8 mbbl/day, on average) in the same period last year. It is noted that, in the second quarter of 2021, production was down due to extensive maintenance work which shut down the Forties Pipeline for several weeks. Production was also reduced by maintenance work in several reservoirs, which had been moved from 2020 to 2021 due to the COVID-19 pandemic. These maintenance works reduced production output in the reporting period and quarter, as compared to the same periods last year. This decrease in production 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 65/bbl in the reporting period, from USD 44/bbl in the same period last year. Gas selling prices went up to 57 pennies/therm, from 17 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 transactions on Ithaca's revenues lowered revenues in the reporting period by USD 13 million, as compared to an increase of USD 217 million in revenues in the same period last year.

Cost of sales

In the reporting period, cost of sales (excluding depreciation costs and inventory turnover) totaled USD 206 million, as compared to USD 203 million in the same period last year. Average production costs totaled USD 18 per barrel in the reporting period, as compared to USD 15 per barrel in the same period last year. This increase in per barrel production costs was mainly due to lower production volumes in the reporting period, as aforesaid.

Depreciation and amortization totaled USD 193 million in the reporting period, as compared to USD 197 million in the same period last year. Per barrel depreciation costs were up in the reporting period, reaching USD 20/bbl, as compared to USD 16/bbl in the same period last year. This increase in per barrel depreciation costs was due to impairment recognized on assets in the first half of 2020, which was partially reversed in the fourth quarter of 2020.

Reversal of impairment on gas and oil assets

In the second quarter of 2021, in light of recovering oil and gas prices, the Group reversed part of the impairment it had recognized in the first quarter of 2020 on its oil and gas assets in the North Sea, to the amount of USD 102 million, pre-tax (USD 61 million, post-tax), mainly in connection with the GSA reservoirs.

A valuation of the GSA reservoirs is attached herewith, as Appendix C to the report.

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 June 30, 2021, Ithaca had open price hedges on 11 mmbbl of oil, at an average hedged price of USD 52/bbl. Ithaca also had open price hedges on 338 million therms of gas, at an average hedged price of 44 pennies/therm. The value of these hedges as of June 30, 2021 reflects a liability of USD 288 million (NIS 940 million). It is noted that, as of June 30,

2021, Ithaca hedged over 75% of its projected output until the end of 2021, and over 60% of its projected output for 2022.

Finance expenses, net

In the reporting period, finance expenses totaled USD 89 million, as compared to USD 125 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 a USD 8 million loss on the revaluation of derivative financial instruments, as compared to gains of USD 2 million in the reporting period.

For more information on oil and gas exploration and production in the North Sea, see Notes 3, 5, 10 and 11 to the consolidated interim financial statements.

C) Additional operations

Delek Israel

In the reporting period, Delek Israel contributed a total of NIS 13 million to net profit attributable to the Company's shareholders (including gains on 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 *)
June 30, 2021	3.260	4.518	101.49
June 30, 2020	3.466	4.254	99.99
December 31, 2020	3.215	4.392	100.09
Change during the year	**%**	**%**	**%**
1-6/2021	1.4	2.9	1.4
1-6/2020	0.3	(6.7)	(0.7)
Q2/2021	(2.2)	(1.5)	1.3
Q2/2020	(2.8)	(3.3)	(0.2)

*) 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:

Series	Issue date (including expansions)	Original par value	Par value balance as of Jun. 30, 2021	Nominal interest rate	Linkage	Carrying amount - Jun. 30, 2021	Interest accrued in the books as of Jun. 30, 2021	Repayment dates (principal/ interest)	Stock exchange value as of June 30, 2021	Trustee
B13	3/2007	913	91	Until listing - +5.1%, after listing - 4.6% From Jun. 1, 2021 - 4.85%	Israeli CPI	112	1	Principal and interest payments on Mar. 29 and Sept. 29 in each of 2020-2021	113	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% From Jun. 1, 2021 - 6.35%	Israeli CPI	391	4	Interest payments on Apr. 30 and Oct. 31 and principal payments on Oct. 31 in each of 2020-2022	389	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% From Jun. 1, 2021 - 4.90%	Israeli CPI	301	2	Interest payments on May 10 and Nov. 10 and principal payments on Nov. 10 in each of 2020-2022	295	Hermetic Capital Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5544553 - Tzuri Galili
B22	6/2007	500	63	4.50% From Jun. 1, 2021 - 4.75%	Israeli CPI	76	-	Principal and interest payments on Jun. 30 and Dec. 31 in each of 2020-2021	77	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% From Jun. 1, 2021 - 5.55%	Un-linked	2,944	56	Interest payments on Aug. 20 and Feb. 20 and principal payments on Feb. 20 in each of 2020-2025	2,827	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% From Jun. 1, 2021 - 4.05%	Convertible and non-linked	705	13	Interest payments on Jul. 10 and Jan. 10 in each of 2020-2022; principal payment on Jan. 10, 2022	699	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - Dan Avnon

Series	Issue date (including expansions)	Original par value	Par value balance as of Jun. 30, 2021	Nominal interest rate	Linkage	Carrying amount - Jun. 30, 2021	Interest accrued in the books as of Jun. 30, 2021	Repayment dates (principal/ interest)	Stock exchange value as of June 30, 2021	Trustee
B34	2/2018	521	480	Until the rating downgrade (Mar. 22, 2020) - 4.48% From Mar. 23, 2020 - 5.48% From Jun. 1, 2021 - 5.73%	Un-linked	480	-	Interest payments on Jun. 30 and Dec. 31 and principal payments on Dec. 31 (except Dec. 31, 2022) in each of 2020-2028	438	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - Dan Avnon
B35 (*)	6/2021	518	518	7.2%	Un-linked	518	-	Interest payments on Jun. 30 and Dec. 31 (starting Dec. 31, 2021) and principal payments on Dec. 31 in each of 2023-2027	535	Mishmeret - Trusts Services Company Ltd., 48 Menahem Begin St., Tel Aviv, Tel: 03-6374335/4, Atty. Rami Katzav, CPA.

(*) Subsequent to the financial position statement date, on July 29, 2021, the Company issued an additional NIS 253,000,000 par value in Debentures (Series B35), by way of the series' expansion.

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 a current rating report on the Company's Debentures (Series B13, B22, B31, B33, B34) (in this paragraph – "the Debentures"), see S&P Maalot's 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 here by way of reference.

4. Under the amendment to the deed of trust with the holders of debenture series B13, B18, B19, B22, B31, and B33, an additional 0.25% interest was added starting June 1, 2021, until such time as the rating for said debenture series is upgraded to (BBB-).

Financial covenants (debentures)

1. 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.
   - As of 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. As of June 30, 2021, the Company's equity totalled NIS 2.3 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. As of June 30, 2021, the ratio stood at 26%.

   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.

   On May 30, 2021, a meeting of the holders of the Company's various debenture series approved an additional amendment to the deed of trust for each of the series. The additional amendment includes mainly the following:

   - Review of the rating covenant, whereby the debentures must comply with a minimum (BBB-) rating would initially be postponed to September 15, 2021.
   - The Company undertook to make the utmost effort to complete Ithaca's IPO by September 15, 2021, and to transfer to the trustees the proceeds of such IPO.
   - Should the rating not be upgraded by September 15, 2021, the rating covenant would automatically be postponed in several rounds until March 31, 2022, provided that the Company deposit in the trustees' account the full amounts required to repay the debentures' principal and interest payments in the first quarter of 2022 in four equal instalments (25% each time), on the following dates: September 15, 2021; October 15, 2021; November 15, 2021; and December 15, 2021.
   - The Company has undertaken 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 rating for its debentures not meet the minimal (BBB-) rating requirement by January 5, 2022. The total cumulative amount of capital to be raised will total NIS 200 million (of which NIS 75 million are contingent in the event that the debentures' rating is not upgraded by said date). In August 2021, the Company raised a total of NIS 50 million.

- The interest on all series of the Company's debentures will increase by an annual 0.25%, starting June 1, 2021 and until such time as the rating is upgraded to (BBB-).

For more information, see Notes 1B and 6B to the consolidated interim financial statements, and Note 19 to the financial statements as of December 31, 2020.

2. In June-July 2021, the Company issued a new series of Debentures (Series B35), for a total consideration of NIS 770 million. The deed of trust for debentures (Series B35) includes the following Company obligations:

   A. So long as debentures (Series B35) have not been repaid in full, the Company will not create any current liens on all its assets and all its rights, existing or future, towards any third party, to secure any debt or obligation unless it implement one of the following options: 1) Receiving prior consent from the holders of debentures (Series B35); 2) simultaneous to creating the current lien to such third party, the Company will create a current lien to the holders of debentures (Series B35) of equal rank pari passu as per the ratio between the Company's debts to such third party and to the debenture holders; 3) providing the holders of debentures (Series B35) with an automatic bank guarantee; and all under such terms as specified in the deed of trust. As of June 30, 2021, the Company is in compliance with this obligation.

   B. The Company undertook the following financial covenants:

      - The Company's equity will not fall below NIS 1,600 million for two consecutive quarters according to its audited or reviewed consolidated financial statements, as applicable. As of June 30, 2021, the equity attributable to the Company's shareholders totaled NIS 2,312 million.

      - From the issuance date to the review date, which is the publication date of the financial statements as of December 31, 2021, the Company's equity will not fall below 12.5% of its balance sheet total for two consecutive quarters according to the Company's audited or reviewed separate financial statements, as applicable. As of the review date, which is the publication date of the financial statements as of March 31, 2022, and at each of the following review dates, the said ratio will not fall below 15% for two consecutive quarters. As of June 30, 2021, this ratio stood at 26%.

      - If the Company’s equity falls below NIS 1,650 million, or the ratio of the total balance sheet to the total balance sheet of the separate financial statements, as outlined above, falls below 13.5% at the review dates until the publication date of the financial statements as of December 31, 2021, or below 16% at the following review dates, the interest rate on the debentures will increase by 0.25%.

   C. The Company undertook not to make any distribution (as defined in the Companies Law), and as such will not declare, pay, or distribute any dividend (as defined in the Companies Law), unless all the following conditions are met (before and after deduction of the distributed amount): 1) The Company's equity will not fall below NIS 1,200 million following such distribution; 2) the Company is not in violation of one or more of its material obligations under the deed and under the terms of the debentures; 3) there are no grounds to call for immediate repayment.

   The deed of trust specifies grounds to call for immediate repayment of debentures (Series B35). These include, among other things, failure by the Company to meet its obligations, as aforesaid, cross-default events (in the event that other debts are called upon for repayment at such volumes as specified in the deed), events related to changes in the Company's business or changes in its control structure, as specified in the deed of trust, and other events.

   The secure the debentures, the Group pledged 153,334,217 of Delek Drilling's participation units.

E. Additional information

1. 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: August 25, 2021

Appendix A to the Board of Directors' Report

Breakdown of principal and interest payments on the Company and the headquarter companies' debentures[2] and bank and other loans as of June 30, 2021 (in NIS millions):

		Jul. 1, 2021 - Dec. 31, 2021	2022	2023	2024	2025	2026 onward	Total
Debentures	**Principal**	572	1,783	874	874	874	528	5,506
	Interest	149	237	164	114	64	64	792
Bank and other loans (*)	**Principal**	-	-	-	106	-	-	106
	Interest	6	11	8	3	-	-	28
Total		**728**	**2,031**	**1,046**	**1,097**	**938**	**592**	**6,432**

(*) Excluding a convertible liability.

[2] Excluding Company debentures held by Delek Financial Investments Limited Partnership.

Appendix B to the Board of Directors' Report

Following on Note 12 to the 2020 financial statements and following a tax authority decision received by Delek Overriding Royalty Leviathan Ltd. prior to a debenture issuance, the following financial data will be provided to Delek Overriding Royalty Leviathan Ltd.'s debenture-holders:

Condensed Statement of Financial Position (Dollars in thousand)

	June 30 2021	June 30 2020*)	December 31 2020
	Unaudited		Audited
Current assets			
Cash and cash equivalents	187	-	3
Short-term investments	1,958	-	326
Royalties and other receivables	1,322	-	1,328
Total current assets	3,467	-	1,657
Non-current assets			
Long-term investments	16,925	-	19,613
Loan to controlling shareholder	79,317	-	76,334
Assets in respect of ORRI	194,833	-	197,704
Deferred Taxes	932	-	888
Total non-current assets	292,007	-	294,539
	295,474	-	296,196
Current liabilities			
Other payables	1,293	-	877
Total current liabilities	1,293	-	877
Non-current liabilities			
Debentures	170,699	-	169,001
Total non-current assets	170,699	-	169,001
Equity			
Share capital	295		295
Share premium	127,275		127,275
Retained earnings	(4,088)	-	(1,252)
Total equity	123,482	-	126,318
	295,474	-	296,196

*) The company’s operations started at October 28 2020.

Condensed Statements of Comprehensive Income (Dollars in thousand)

	Six-month period ended June 30,		Three-month period ended June 30,		Year ended December 31,
	2021	2020*)	2021	2020*)	2020
	Unaudited		Unaudited		Audited
Revenue from overriding royalties	5,742	-	2,904	-	1,335
General and administrative expenses	424	-	224	-	203
Depletion	2,872	-	1,424	-	712
Operating profit	2,446	-	1,256	-	420
Financing expenses	(8,395)	-	(4,188)	-	(2,883)
Financing income	3,043	-	1,531	-	1,067
Loss before income tax	(2,906)	-	(1,401)	-	(1,396)
Tax benefit (Income tax)	70	-	(159)	-	144
Loss and total comprehensive loss	(2,836)	-	(1,560)	-	(1,252)

*) The company's operations started at 28 October, 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 loss	-	-	(2,836)	(2,836)
Balance as at June 30, 2021	295	127,275	(4,088)	123,482

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at January 1, 2020 (Audited)	*	-	-	*
Total comprehensive income (loss) **	-	-	-	-
	-	-	-	-
Balance as at June 30, 2020	*	-	-	-

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at April 1, 2021 (Audited)	295	127,275	(2,528)	125,042
Total comprehensive Loss	-	-	(1,560)	(1,560)
Balance as at June 30, 2021	295	127,275	(4,088)	123,482

* Less 1 thousand dollars.

**) The company's operations started at October 28 2020

Condensed Statements of Changes in Equity (Dollars in thousand)

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at April 1, 2020 (Audited)	*	-	-	*
Total comprehensive income (loss) **	-	-	-	-
Balance as at June 30, 2020	*	-	-	-

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at January 1, 2020	*	-	-	*
Total comprehensive 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 at October 28 2020

Condensed Statements of Cash Flows (Dollars in thousand)

	Six-month period ended June 30,		Three-month period ended June 30,		For the year ended
	2021	2020*) Unaudited	2021	2020*) Unaudited	2020 Audited
Cash Flows - Current Operations:					
Loss for the year	(2,836)	-	(1,560)	-	(1,252)
Adjustments for:					
Depletion and depreciation	4,482	-	2,226	-	1,252
Deferred Taxes	(44)	-	154	-	(888)
Increase in Long-term investments	(12)	-	(4)	-	-
Changes in assets and liabilities items:					
Decrease (increase) in trade and other receivables	6	-	111	-	(1,328)
Increase in loan to controlling shareholder	(3,024)	-	(1,520)	-	-
Increase (decrease) in trade and other payables	416	-	(3,150)	-	2,134
Net cash deriving used for current operations	(1,012)	-	(3,743)	-	(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	2,700	-	2,700	-	(20,900)
Short-term deposit in bank deposits	(1,632)	-	1,141	-	(326)
Net cash deriving from (used for) investment activity	1,109	-	3,841	-	(168,375)
Cash Flows - Financing Activity:					
Bond offering (net of issue costs)	87	-	87	-	168,460
Net cash deriving from financing activity	87	-	87	-	168,460
Increase in cash and cash equivalents	184	-	185	-	3
Cash and cash equivalents balance at the beginning of the period	3	-	2	-	-
Cash and cash equivalents balance at the end of the period	187	-	187	-	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	6,745	-	6,745	-	2,328

*) The company's operations started at October 28 2020

Appendix C to the Board of Directors' Report

Regulation 8B: Valuation

Assessment of the recoverable amount for oil and gas assets in the Greater Stella Area ("GSA") in the North Sea.

As of June 30, 2021, the Group performed an extremely valuation of the recoverable amount for its oil and gas assets in the GSA area in the North Sea. This study is attached to the Group's financial statements.

Highlights from this financial study:

Focus of valuation:	Assessing the recoverable amount for oil and gas assets in the GSA area in the North Sea.
Study date:	June 30, 2021
Value immediately prior to the valuation date had Israeli GAAP, including depreciation and amortization, not required a change in value pursuant to the valuation:	Not applicable.
Value following assessment:	The recoverable amount for oil and gas assets in the GSA area was assessed at USD 431 million. Based on this valuation, in the second quarter of 2021 the Company reversed its impairment of these assets yielding a profit attributable to the Company's shareholders (post-tax) of USD 55 million (NIS 178 million).
Identity and details of appraiser:	The study was prepared by Duff & Phelps, a global consulting firm with over 3,500 employees across 28 countries. The company was founded in 1932, and provides consulting services to numerous clients, including 50% of the S&P500 companies. The company provides a range of consulting services, including valuations, tax services, and M&A consultancy. The company's valuations team comprises more than 1,200 professional staff and experts in financial consulting, including PPAs, impairment testing for goodwill and intangible assets, and valuation analysis. According to the contract with the appraiser, except in the event of improper conduct or fraud by the appraiser, its liability is limited to its fees. The Company also undertook to indemnify the appraiser for any damage it may incur as a result of third-party lawsuits, except if a competent court decides that the lawsuit was caused by gross negligence, intentional improper conduct or fraud by the appraiser.
The valuation model employed:	Discounted cash flows
Assumptions used by the appraiser in the valuation, under the valuation model:	The key assumptions underlying the valuation include revenue and expense forecasts bearing in mind, among other things, production flows and quantities, forecast oil and gas prices, the inflation rate, and removal costs. In the valuation, the appraiser applied the discounted cash flow method, accounting for a post-tax discount rate of 9.75%; projected Brent oil prices of USD 65/bbl in 2021, USD 65/bbl in 2022, USD 66/bbl in 2023, and reaching a price of USD 69/bbl in 2025; projected gas prices of 78 pennies/therm in 2021, 70 pennies/therm in 2022, 53 pennies/therm in 2023, and reaching 55 pennies/therm in 2025.

DUFF & PHELPS
A KROLL BUSINESS

DKL Investment Limited

August 23, 2021

Valuation Services in Connection with estimating the Recoverable Amount of certain fields of Ithaca Energy Ltd as of June 30, 2021

Dear Mr. Polikar,

Pursuant to your request, Duff & Phelps, A Kroll Business operating as Kroll Advisory Ltd. ("Duff & Phelps") had been engaged by DKL Investments Limited ("DKL") to provide valuation services relating to the impairment test of Delek Group Ltd.'s ("Delek") investment in Ithaca Energy Limited ("Ithaca" or the "Company") for financial reporting purposes as of December 31,2020. You have subsequently asked us to refresh our analysis for certain fields (the "Services") as of June 30, 2021 and we summarise our findings in this letter report.

The objective of our analysis was to provide an estimate of the recoverable amount ("Recoverable Amount") of certain oil fields within the Greater Stella Area ("GSA") licenses held by Ithaca as of June 30, 2021 (the "Valuation Date"). The GSA assets are comprised of the Stella, Hurricane, Harrier, Vorlich, and Courageous discoveries. We understand that the results of our analysis will be used solely for the purpose of assisting the Delek's management ("Management") in their financial reporting and regulatory requirements.

IAS 36 defines the Recoverable Amount of an asset as the higher of its Fair Value less costs to sell ("Fair Value Less Cost to Sell" or "FVLCTS") or its value in use ("Value in Use" or "VIU"), where FVLCTS is defined as "*the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal*" and VIU is defined as "*the present value of the future cash flows expected to be derived from an asset or cash generating unit*". We note that IAS 36 does not require an analysis of both the FVLCTS and VIU as the Recoverable Amount is determined by the higher of both.

Kroll Advisory Ltd
32 London Bridge Street
London SE1 9SG

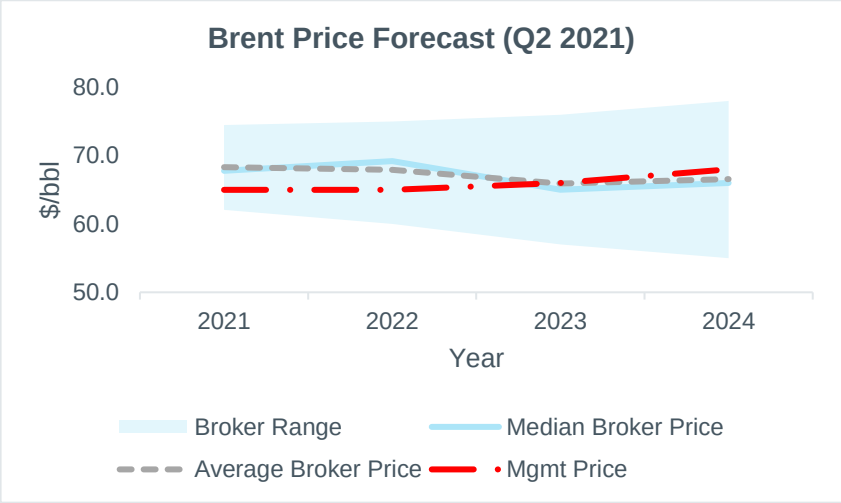
T + 44 20 7089 4720

mathias.schumacher@duffandphelps.com
www.kroll.com

We are aware that you wish to use our valuation for the preparation of the financial statements of Delek and if necessary, also to attach this letter to the financial statements. The full details of the terms of our engagement are included in our engagement letter dated January 22, 2021.

For the June 30, 2021 analysis Management did not prepare a complete new set of financial forecast but rather updated the price forecast to reflect the significant increase in oil prices observed since yearend 2020. Management also updated the projected capital expenditure ("Capex") for certain fields as new information was obtained. All other assumptions of the financial forecast including the production profile remained unchanged from the yearend analysis and were deemed appropriate.

We have compared Management's concluded (nominal) Brent oil price forecast against the forecasts provided by independent market participants and brokers as of the Valuation Date. The graph below compares Management's concluded Brent oil price (nominal) against other market participants' views. Management's Brent oil price forecast lies within a reasonable range from a market participants' view.



Source: Bloomberg, D&P Analysis

We note that Capex projections have increased by approximately USD 31 million since the Q4 2020 analysis. This increase in the Capex projections consists of costs associated with the Stella field, specifically. Management indicated that these costs were driven by planned rectification of several pieces

of equipment, in order to ensure that they are fit for purpose as development goes ahead for several fields.

We have updated the weighted average cost of capital ("WACC") analysis as of the Valuation Date and have concluded on a WACC of 9.75 percent. This is unchanged from our analysis as of yearend. Please refer to Exhibit 7.0 for our detailed WACC calculations.

The table below summarises the Recoverable Amounts post tax for the five fields as at the Valuation Date. Detailed calculations are provided in Exhibits 2.0 through to 6.0.

Field Name	**Post Tax Recoverable Amount**
Stella	17,372
Harrier	157,449
Hurricane	66,751
Vorlich	151,846
Courageous	37,973
Total	**431,392**

We wish to note that we have no personal interest in the shares of the companies named in this report. In addition, the payment we receive for preparing it is not contingent upon the results of the valuation.

We have appreciated the opportunity to work with you on this engagement. Please call Mathias Schumacher on +44 20 7089 4720 if we can be of further assistance.

Yours sincerely,

Duff & Phelps,
a Kroll Business

Kroll Advisory Ltd.
By: Mathias Schumacher
Managing Director

LIMITING CONDITIONS

This document has been prepared solely for the Management and directors of Delek for the purposes stated herein and should not be relied upon for any other purpose. Unless required by law, this report shall not be provided to any third party (except for the appropriate tax and regulatory authorities and Delek's auditors and legal and tax advisors) without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to which the report is disclosed or otherwise made available.

Our procedures did not include investigation of, and we assume no responsibility for, the titles to, or any liens against, the assets of Delek or Ithaca. Furthermore, we assume there are no hidden, unapparent, or unexpected conditions that could affect the value of the business and accept no responsibility for discovering such conditions.

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of Delek's existing business records. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of Delek or Ithaca. Budgets, projections, and forecasts relate to future events and are based on assumptions that may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as that derived from audited accounts for completed accounting periods. The outbreak of COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020 and has severely impacted global economy, including the energy sector. We express no opinion as to how closely the actual results will correspond to those projected or forecast by Delek or Ithaca.

We determined Recoverable Amount assuming the ongoing use of the assets in the existing business. Accordingly, the conclusions reached in this valuation are meaningful only for the specific purpose of this engagement as stated above.

During our valuation, we used financial and other information, including prospective financial information, provided to us by Delek or Ithaca management or obtained from public sources we believe to be reliable; the more significant sources of this information are identified in this report. Our conclusions are dependent on such information being complete and accurate in all material respects; however, we have not examined such information and, accordingly, do not express an opinion or any other form of assurance thereon.

In accordance with our agreement, this report is limited to estimating the Recoverable Amount of the investment in Ithaca and the individual fields for impairment testing purposes. Additional issues may exist that could affect the local jurisdiction tax treatment of the Company with respect to which we have prepared this report. This report does not consider or provide a conclusion with respect to any of those issues. With respect to any significant local jurisdiction tax issue outside the scope of this report, this report was not written, and cannot be used, by anyone for the purpose of avoiding local jurisdiction tax penalties.

Exhibits:	Exhibit #
Impairment Testing - Field Basis	
GSA Fields Summary of Values	Exhibit 1.0
GSA Field Cash Flows: Stella	Exhibit 2.0
GSA Field Cash Flows: Harrier	Exhibit 3.0
GSA Field Cash Flows: Hurricane	Exhibit 4.0
GSA Field Cash Flows: Vorlich	Exhibit 5.0
GSA Field Cash Flows: Courageous	Exhibit 6.0
Supporting Exhibits	
Weighted Average Cost of Capital	Exhibit 7.0
Brent Oil Price Forecast Benchmarking	Exhibit 8.0

Delek Group Ltd.

Exhibit 1.0

Ithaca Energy Ltd. Impairment Testing

Valuation Date: June 30, 2021

GSA Fields Summary of Values

Currency in USD Thousands (Unless otherwise noted)

Field Name	Post Tax Field NPV
Stella	17,372
Harrier	157,449
Hurricane	66,751
Vorlich	151,846
Courageous	37,973
Total	**431,392**

Delek Group Ltd.

Ithaca Energy Ltd. Impairment Testing

Exhibit 2.0

Valuation Date: June 30, 2021
GSA Field Cash Flows: Stella
Currency in USD Thousands (Unless otherwise noted)

		01/07/2021 30/09/2021	01/10/2021 31/12/2021	01/01/2022 31/03/2022	01/04/2022 30/06/2022	01/07/2022 30/09/2022	01/10/2022 31/12/2022	01/01/2023 31/12/2023	01/01/2024 31/12/2024	01/01/2025 31/12/2025	01/01/2026 31/12/2026	01/01/2027 31/12/2027	01/01/2028 31/12/2028	01/01/2029 31/12/2029	01/01/2030 31/12/2030
Stella	Notes:	**Q3 2021**	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Net Production															
Oil (mbbl)		50	50	28	28	28	28	61	42	30	22	16	12	6	3
NGL (mbbl)		27	27	16	16	16	16	40	27	19	14	10	7	4	2
Gas (mboe)		148	148	86	86	86	86	219	150	106	76	56	41	20	10
Total Net Production (mboe)	(1)	226	226	130	130	130	130	320	219	154	111	82	60	30	15
Net Revenue	(1)	13,511	13,508	7,181	7,179	7,177	7,175	14,405	10,116	7,256	5,359	4,060	3,046	1,566	777
Net Opex	(1)	(1,331)	(1,336)	(2,722)	(2,728)	(2,733)	(2,739)	(8,128)	(4,426)	(2,528)	(2,115)	(2,283)	(2,340)	(1,337)	(708)
Net Capex	(1)	(1,915)	(1,925)	(4,701)	(4,724)	(4,748)	(4,772)	(7,931)	-	-	-	-	-	-	-
Total Net Field Cash Flows		10,265	10,247	(242)	(273)	(304)	(335)	(1,654)	5,689	4,729	3,244	1,777	706	229	70
Discount Period		0.13	0.38	0.63	0.88	1.13	1.38	2.01	3.00	4.01	5.01	6.01	7.00	8.01	9.01
Present Value of Net Field Cash Flows @ 9.75%		10,146	10,010	(231)	(254)	(277)	(298)	(1,389)	4,352	3,295	2,060	1,028	372	110	31

		01/01/2031 31/12/2031	01/01/2032 31/12/2032	01/01/2033 31/12/2033	01/01/2034 31/12/2034	01/01/2035 31/12/2035	01/01/2036 31/12/2036	01/01/2037 31/12/2037	01/01/2038 31/12/2038	01/01/2039 31/12/2039	01/01/2040 31/12/2040	01/01/2041 31/12/2041	01/01/2042 31/12/2042	01/01/2043 31/12/2043	01/01/2044 31/12/2044
	Notes:	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		(0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.01	11.00	12.01	13.01	14.01	15.00	16.01	17.01	18.01	19.00	20.01	21.01	22.01	23.00
Present Value of Net Field Cash Flows @ 9.75%		(0)	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		28,954
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**17,372**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd. **Exhibit 3.0**

Ithaca Energy Ltd. Impairment Testing

Valuation Date: June 30, 2021
GSA Field Cash Flows: Harrier
Currency in USD Thousands (Unless otherwise noted)

Harrier	Notes:	01/07/2021 30/09/2021 **Q3 2021**	01/10/2021 31/12/2021 **Q4 2021**	01/01/2022 31/03/2022 **Q1 2022**	01/04/2022 30/06/2022 **Q2 2022**	01/07/2022 30/09/2022 **Q3 2022**	01/10/2022 31/12/2022 **Q4 2022**	01/01/2023 31/12/2023 **2023**	01/01/2024 31/12/2024 **2024**	01/01/2025 31/12/2025 **2025**	01/01/2026 31/12/2026 **2026**	01/01/2027 31/12/2027 **2027**	01/01/2028 31/12/2028 **2028**	01/01/2029 31/12/2029 **2029**	01/01/2030 31/12/2030 **2030**
Net Production															
Oil (mbbl)		23	23	18	18	18	18	61	327	318	187	151	128	107	65
NGL (mbbl)		42	42	34	34	34	34	113	301	332	233	189	161	135	83
Gas (mboe)		230	230	185	185	185	185	620	1,653	1,827	1,279	1,041	886	742	456
Total Net Production (mboe)	(1)	295	295	237	237	237	237	794	2,281	2,478	1,698	1,381	1,176	984	604
Net Revenue	(1)	17,679	17,674	12,942	12,938	12,934	12,929	33,988	102,965	113,124	78,652	65,616	57,070	48,972	30,827
Net Opex	(1)	(197)	(197)	(2,595)	(2,595)	(2,595)	(2,595)	(9,857)	(29,987)	(27,372)	(19,391)	(23,839)	(28,910)	(29,585)	(18,299)
Net Capex	(1)	-	-	-	-	-	-	-	(51,379)	-	-	-	-	-	-
Total Net Field Cash Flows		17,482	17,476	10,347	10,343	10,339	10,335	24,132	21,598	85,752	59,260	41,777	28,159	19,387	12,528
Discount Period		0.13	0.38	0.63	0.88	1.13	1.38	2.01	3.00	4.01	5.01	6.01	7.00	8.01	9.01
Present Value of Net Field Cash Flows @ 9.75%		17,278	17,071	9,876	9,645	9,420	9,198	20,261	16,523	59,757	37,627	24,170	14,844	9,309	5,481

	Notes:	01/01/2031 31/12/2031 **2031**	01/01/2032 31/12/2032 **2032**	01/01/2033 31/12/2033 **2033**	01/01/2034 31/12/2034 **2034**	01/01/2035 31/12/2035 **2035**	01/01/2036 31/12/2036 **2036**	01/01/2037 31/12/2037 **2037**	01/01/2038 31/12/2038 **2038**	01/01/2039 31/12/2039 **2039**	01/01/2040 31/12/2040 **2040**	01/01/2041 31/12/2041 **2041**	01/01/2042 31/12/2042 **2042**	01/01/2043 31/12/2043 **2043**	01/01/2044 31/12/2044 **2044**
Net Production															
Oil (mbbl)		38	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		49	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		267	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	354	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	18,418	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(13,514)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		4,904	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.01	11.00	12.01	13.01	14.01	15.00	16.01	17.01	18.01	19.00	20.01	21.01	22.01	23.00
Present Value of Net Field Cash Flows @ 9.75%		1,955	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		262,415
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**157,449**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd.

Ithaca Energy Ltd. Impairment Testing

Exhibit 4.0

Valuation Date: June 30, 2021
GSA Field Cash Flows: Hurricane
Currency in USD Thousands (Unless otherwise noted)

		01/07/2021 30/09/2021	01/10/2021 31/12/2021	01/01/2022 31/03/2022	01/04/2022 30/06/2022	01/07/2022 30/09/2022	01/10/2022 31/12/2022	01/01/2023 31/12/2023	01/01/2024 31/12/2024	01/01/2025 31/12/2025	01/01/2026 31/12/2026	01/01/2027 31/12/2027	01/01/2028 31/12/2028	01/01/2029 31/12/2029	01/01/2030 31/12/2030
Hurricane	Notes:	**Q3 2021**	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Net Production															
Oil (mbbl)		-	-	166	166	166	166	1,614	557	685	367	195	108	62	28
NGL (mbbl)		-	-	7	7	7	7	64	27	115	64	34	17	9	4
Gas (mboe)		-	-	37	37	37	37	351	150	632	355	184	96	50	21
Total Net Production (mboe)	(1)	-	-	211	211	211	211	2,030	735	1,431	786	413	222	121	53
Net Revenue	(1)	-	-	12,717	12,714	12,710	12,707	118,806	43,681	77,574	43,480	23,698	13,138	7,492	3,413
Net Opex	(1)	(0)	(0)	(1,568)	(1,568)	(1,568)	(1,568)	(22,317)	(11,581)	(15,901)	(9,548)	(8,032)	(6,632)	(4,967)	(2,365)
Net Capex	(1)	(6,524)	(6,524)	(22,034)	(22,034)	(22,034)	(22,034)	-	(26,267)	-	-	-	-	-	-
Total Net Field Cash Flows		(6,524)	(6,524)	(10,885)	(10,888)	(10,891)	(10,895)	96,489	5,833	61,672	33,932	15,665	6,506	2,524	1,047
Discount Period		0.13	0.38	0.63	0.88	1.13	1.38	2.01	3.00	4.01	5.01	6.01	7.00	8.01	9.01
Present Value of Net Field Cash Flows @ 9.75%		(6,448)	(6,372)	(10,389)	(10,154)	(9,924)	(9,697)	81,010	4,462	42,977	21,545	9,063	3,429	1,212	458

		01/01/2031 31/12/2031	01/01/2032 31/12/2032	01/01/2033 31/12/2033	01/01/2034 31/12/2034	01/01/2035 31/12/2035	01/01/2036 31/12/2036	01/01/2037 31/12/2037	01/01/2038 31/12/2038	01/01/2039 31/12/2039	01/01/2040 31/12/2040	01/01/2041 31/12/2041	01/01/2042 31/12/2042	01/01/2043 31/12/2043	01/01/2044 31/12/2044
	Notes:	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**
Net Production															
Oil (mbbl)		11	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		1	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		6	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	18	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	1,222	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(1,025)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		197	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.01	11.00	12.01	13.01	14.01	15.00	16.01	17.01	18.01	19.00	20.01	21.01	22.01	23.00
Present Value of Net Field Cash Flows @ 9.75%		79	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		111,252
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**66,751**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd. **Exhibit 5.0**

Ithaca Energy Ltd. Impairment Testing

Valuation Date: June 30, 2021
GSA Field Cash Flows: Vorlich
Currency in USD Thousands (Unless otherwise noted)

		01/07/2021 30/09/2021	01/10/2021 31/12/2021	01/01/2022 31/03/2022	01/04/2022 30/06/2022	01/07/2022 30/09/2022	01/10/2022 31/12/2022	01/01/2023 31/12/2023	01/01/2024 31/12/2024	01/01/2025 31/12/2025	01/01/2026 31/12/2026	01/01/2027 31/12/2027	01/01/2028 31/12/2028	01/01/2029 31/12/2029	01/01/2030 31/12/2030
Vorlich	Notes:	**Q3 2021**	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Net Production															
Oil (mbbl)		416	416	185	185	185	185	359	195	115	72	48	33	23	15
NGL (mbbl)		62	62	58	58	58	58	215	185	143	110	85	65	50	34
Gas (mboe)		203	203	189	189	189	189	704	607	468	360	277	214	164	112
Total Net Production (mboe)	(1)	680	680	432	432	432	432	1,278	988	726	542	410	311	238	161
Net Revenue	(1)	41,258	41,248	24,632	24,626	24,621	24,615	61,331	46,840	34,408	26,013	20,038	15,487	12,097	8,391
Net Opex	(1)	(7,175)	(7,175)	(4,834)	(4,834)	(4,834)	(4,834)	(14,748)	(11,973)	(8,605)	(5,811)	(6,600)	(7,092)	(6,804)	(5,197)
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		34,082	34,073	19,798	19,792	19,787	19,781	46,582	34,867	25,803	20,201	13,438	8,395	5,292	3,194
Discount Period		0.13	0.38	0.63	0.88	1.13	1.38	2.01	3.00	4.01	5.01	6.01	7.00	8.01	9.01
Present Value of Net Field Cash Flows @ 9.75%		33,685	33,283	18,896	18,457	18,029	17,606	39,110	26,673	17,981	12,827	7,774	4,426	2,541	1,398

		01/01/2031 31/12/2031	01/01/2032 31/12/2032	01/01/2033 31/12/2033	01/01/2034 31/12/2034	01/01/2035 31/12/2035	01/01/2036 31/12/2036	01/01/2037 31/12/2037	01/01/2038 31/12/2038	01/01/2039 31/12/2039	01/01/2040 31/12/2040	01/01/2041 31/12/2041	01/01/2042 31/12/2042	01/01/2043 31/12/2043	01/01/2044 31/12/2044
	Notes:	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**
Net Production															
Oil (mbbl)		5	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		12	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		41	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	58	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	3,094	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(2,112)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		983	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.01	11.00	12.01	13.01	14.01	15.00	16.01	17.01	18.01	19.00	20.01	21.01	22.01	23.00
Present Value of Net Field Cash Flows @ 9.75%		392	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Field NPV		253,076													
Tax Rate:	(2)	40.0%													
Post-Tax Field NPV		**151,846**													

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd. **Exhibit 6.0**

Ithaca Energy Ltd. Impairment Testing

Valuation Date: June 30, 2021
GSA Field Cash Flows: Courageous
Currency in USD Thousands (Unless otherwise noted)

Courageous	Notes:	01/07/2021 30/09/2021 **Q3 2021**	01/10/2021 31/12/2021 **Q4 2021**	01/01/2022 31/03/2022 **Q1 2022**	01/04/2022 30/06/2022 **Q2 2022**	01/07/2022 30/09/2022 **Q3 2022**	01/10/2022 31/12/2022 **Q4 2022**	01/01/2023 31/12/2023 **2023**	01/01/2024 31/12/2024 **2024**	01/01/2025 31/12/2025 **2025**	01/01/2026 31/12/2026 **2026**	01/01/2027 31/12/2027 **2027**	01/01/2028 31/12/2028 **2028**	01/01/2029 31/12/2029 **2029**	01/01/2030 31/12/2030 **2030**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	528	1,052	486	172	62	22
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	282	723	663	518	406	318
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	810	1,775	1,149	691	467	340
Net Revenue	(1)	-	-	-	-	-	-	-	-	47,217	103,867	64,900	36,908	24,149	17,315
Net Opex	(1)	-	-	-	-	-	-	-	(0)	(10,559)	(23,947)	(17,393)	(11,983)	(11,283)	(12,293)
Net Capex	(1)	-	-	-	-	-	-	(24,513)	(40,173)	(15,472)	-	-	-	-	-
Total Net Field Cash Flows		-	-	-	-	-	-	(24,513)	(40,173)	21,186	79,920	47,507	24,926	12,866	5,022
Discount Period		0.13	0.38	0.63	0.88	1.13	1.38	2.01	3.00	4.01	5.01	6.01	7.00	8.01	9.01
Present Value of Net Field Cash Flows @ 9.75%		-	-	-	-	-	-	(20,580)	(30,732)	14,763	50,745	27,485	13,139	6,178	2,197

	Notes:	01/01/2031 31/12/2031 **2031**	01/01/2032 31/12/2032 **2032**	01/01/2033 31/12/2033 **2033**	01/01/2034 31/12/2034 **2034**	01/01/2035 31/12/2035 **2035**	01/01/2036 31/12/2036 **2036**	01/01/2037 31/12/2037 **2037**	01/01/2038 31/12/2038 **2038**	01/01/2039 31/12/2039 **2039**	01/01/2040 31/12/2040 **2040**	01/01/2041 31/12/2041 **2041**	01/01/2042 31/12/2042 **2042**	01/01/2043 31/12/2043 **2043**	01/01/2044 31/12/2044 **2044**
Net Production															
Oil (mbbl)		1	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		23	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	24	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	1,238	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(1,003)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		235	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.01	11.00	12.01	13.01	14.01	15.00	16.01	17.01	18.01	19.00	20.01	21.01	22.01	23.00
Present Value of Net Field Cash Flows @ 9.75%		94	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		63,289
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**37,973**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd. **Exhibit 7.0**

Ithaca Energy Ltd. Impairment Testing

Valuation Date: June 30, 2021
Weighted Average Cost of Capital
Currency in Local Millions (Unless otherwise noted)

Assumptions and Sources		
Valuation Date	30-Jun-21	
Risk-Free Rate (Rf)	2.5%	D&P Normalised Risk Free Rate
Pretax Required Rate on Debt Capital (i)	5.4%	Normalised USD BB rated bond
Equity Risk Premium (Rp)	5.5%	D&P Normalised EMRP
Small Stock Premium (Ssp)	1.43%	Duff & Phelps 2021 Handbook, Low Cap
Effective Tax Rate - Target (tt)	30.0%	Target Tax Rate
Beta (Relevered) (β)	1.76	Industry Characteristics
Debt / Capital (D) (5)	40.0%	Industry Characteristics and Expected Leverage
Equity / Capital (E)	60.0%	Industry Characteristics and Expected Leverage
Alpha (α)	0.0%	Company Characteristics

Formulas	
Unlevered Beta =	Beta (Observed) / [1 + D/E (1 - ti)]
Relevered Beta =	Unlevered Beta * [1 + D/E (1 - tt)]
Industry Average D/E =	(Debt/Capital) / (Equity/Capital)

Relevered Beta Analysis	
Beta (Unlevered)	1.20
Industry D/E	66.7%
Effective Tax Rate - Target (tt)	30.0%
Beta (Relevered)	1.76

Comparable Company Analysis

Company	Ticker	S&P Credit Rating	Bloomberg Beta (1)	Book Value of Debt (2)	Share Price	Number of Common Shares Outstanding	Market Value of Equity	Minority Interest (Equity)	Total Capital	Debt/Equity	Debt/Capital	Individual Country Tax Rate (3)	Beta (Unlevered)
Cairn Energy PLC	LSE:CNE	NR	1.69	240	1.46	493	719	-	959	33.4%	25.0%	30.0%	1.37
Harbour Energy plc	LSE:HBR	NR	2.69	2,327	3.77	926	3,489	-	5,816	66.7%	40.0%	30.0%	1.84
Aker BP ASA	OB:AKRBP	BBB-	1.68	3,675	274.40	360	98,675	-	102,349	3.7%	3.6%	52.0%	1.65
Lundin Energy AB (publ)	OM:LUNE	BBB-	1.29	3,653	302.80	284	86,102	-	89,755	4.2%	4.1%	52.0%	1.26
Serica Energy plc	AIM:SOZ	NR	1.14	-	1.39	268	372	-	372	0.0%	0.0%	52.0%	1.14
Equinor ASA	OB:EQNR	AA-	0.70	34,912	182.18	3,242	590,712	18	625,642	5.9%	5.6%	52.0%	0.68
	Selected										**40.0%**		**1.20**

Weighted Average Rate of Return - Capital Asset Pricing Model

	Required Return		Weighting	WACC
Debt	3.8%	x	40.0%	1.5%
Equity	13.6%	x	60.0%	8.2%
Weighted Average Cost of Capital				9.7%
Weighted Average Cost of Capital (rounded)				**9.75%**

WACC Sensitivity Table

Beta (Relevered)	1.66	1.71	**1.76**	1.81	1.86
WACC	9.25%	9.50%	**9.75%**	9.75%	10.00%

Notes:

(1) Average of 2y weekly & 5y monthly Bloomberg historic beta as at June 2021.
(2) Debt includes short term and long term interest-bearing debt plus capital leases and preferred stock.
(3) Estimated effective tax rate for exploration and production companies.
(4) Small Stock Premium per D&P Valuation Handbook 2021.
(5) The selected leverage is based on our assumption of a market participant target leverage structure.

Delek Group Ltd.

Exhibit 8.0

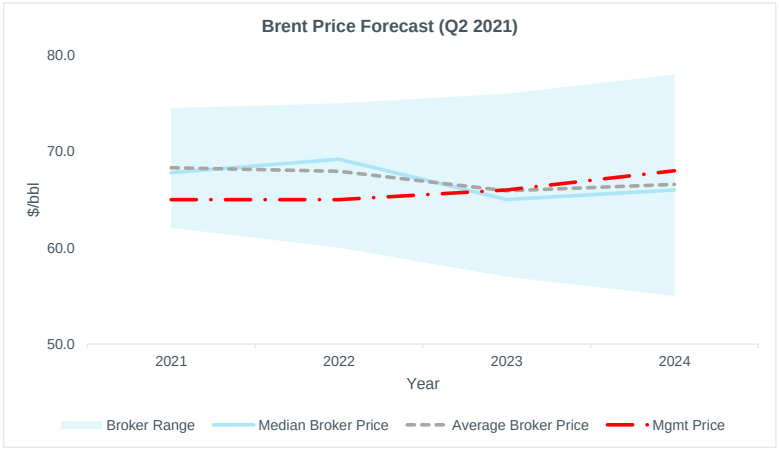
Ithaca Energy Ltd. Impairment Testing

Valuation Date: June 30, 2021

Brent Oil Price Forecast Benchmarking

Currency in USD per bbl

Firm		As of	2021	2022	2023	2024
Citigroup Inc	(1)	30-Jun-21	72.0	n/a	n/a	n/a
Fitch Solutions	(1)	28-Jun-21	66.0	64.0	65.0	70.0
Emirates NBD PJSC	(1)	23-Jun-21	67.8	66.9	n/a	n/a
Banco Santander SA	(1)	17-Jun-21	64.0	60.0	57.0	55.0
Natixis SA	(1)	16-Jun-21	67.8	71.0	n/a	n/a
Capital Economics Ltd	(1)	16-Jun-21	67.5	65.5	57.0	n/a
Westpac Banking Corp	(1)	15-Jun-21	n/a	n/a	65.0	63.0
Intesa Sanpaolo SpA	(1)	14-Jun-21	68.8	75.0	76.0	78.0
Landesbank Baden-Wuerttemberg	(1)	04-Jun-21	65.0	70.0	72.5	n/a
Commerzbank AG	(1)	02-Jun-21	66.0	70.0	n/a	n/a
Rabobank International	(1)	29-Apr-21	71.2	72.5	73.5	73.4
Deutsche Bank AG	(1)	12-Apr-21	65.8	65.0	60.0	63.0
Market Risk Advisory Co Ltd	(1)	02-Apr-21	62.1	62.0	64.5	65.0
GLJ Consultants	(2)	01-Jul-21	73.3	69.6	66.4	67.8
McDaniel & Associates	(2)	01-Jul-21	74.5	68.9	65.0	63.7
Sproule	(2)	31-Jul-21	73.0	71.0	69.0	67.0
Max			74.5	75.0	76.0	78.0
Median			67.8	69.2	65.0	66.0
Average			68.3	67.9	65.9	66.6
Min			62.1	60.0	57.0	55.0
Brent Futures (2)	(3)		73.8	69.4	65.1	62.2
Management Price Curve (3)	(4)		65.0	65.0	66.0	68.0



Notes:

(1) Source: Bloomberg
(2) Source: Other Third-Party forecasts
(3) Source: S&P Capital IQ, Brent Futures as at 30/06/2021
(4) Management provided forecasts

Chapter C

Financial Statements

Delek Group Ltd.

Consolidated Interim Financial Statements as at June 30, 2021

Unaudited

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Consolidated Balance Sheets

	June 30		December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	883	540	402
Short-term investments	1,198	1,036	559
Trade receivables	1,025	1,614	820
Other receivables	167	389	191
Current tax assets	33	37	40
Financial derivatives	16	596	93
Inventory	407	428	343
	3,729	4,640	2,448
Assets held for sale	3,927	1,966	3,927
	7,656	6,606	6,375
Non-current assets			
Long-term loans, deposits, and receivables	3,311	2,683	3,176
Other financial assets	11	145	21
Investments in associates	523	394	679 *)
Investment property	196	365	331
Right-of-use assets	24	874	22
Financial derivatives	6	181	9
Investments in exploration and production of oil and gas assets, net	19,764	24,027	19,654
Fixed assets, net	75	831	84
Goodwill	2,838	3,149	2,798
Other intangible assets, net	-	7	-
Deferred taxes	1,361	1,671	1,278
	28,109	34,327	28,052
	35,765	40,933	34,427

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

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

Consolidated Balance Sheets

	June 30		December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
Current liabilities			
Borrowings and current maturities from banks and others	-	9,213	138
Debentures including current maturities of debentures	8,799	6,897	6,668
Trade payables	707	1,073	317
Other payables	1,184	1,254	1,193 *)
Current maturities of lease liabilities	12	152	20
Current tax liabilities	96	246	107
Financial derivatives	707	119	264
	11,505	18,954	8,707
Liabilities attributable to assets held for sale	150	542	2,230
	11,655	19,496	10,937
Non-current liabilities			
Loans from banks and others	1,740	3,129	2,247
Debentures	9,397	5,265	9,248
Convertible liabilities	162	171	-
Liabilities for employee benefits	-	9	-
Lease liability	8	733	3
Financial derivatives	244	74	76
Provisions and other liabilities	5,212	5,209	5,265
Deferred taxes	1,445	1,685	1,401
	18,208	16,275	18,240
Capital			
Share capital	19	14	18
Share premium	2,396	2,041	2,341
Proceeds for conversion option and options	30	30	38
Retained earnings	2,170	314	1,589 *)
Foreign currency translation differences for foreign operations	(861)	(506)	(933)
Capital reserve from transactions with non-controlling interests	(680)	(672)	(677)
Other reserves	(448)	521	24
Treasury shares	(314)	(314)	(314)
Total equity attributable to shareholders of the Company	2,312	1,428	2,086
Non-controlling interests	3,590	3,734	3,164
Total capital	5,902	5,162	5,250
	35,765	40,933	34,427

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

August 25, 2021			
Date of approval 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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020 *)	2021	2020 *)	2020
	Unaudited				Audited
	NIS millions (Other net earnings (loss) per share)				
Revenue	3,654	3,332	1,744	1,452	6,671
Cost of revenues	1,958	1,846	977	791	3,536
Gross profit	1,696	1,486	767	661	3,135
General and administrative expenses	75	127	39	77	241
Group share in profits (losses) of operational associates, net	(1)	1	(5)	1	(15)
Other revenues (expenses), net	303	(3,736)	329	(268)	(2,973)
Operating profit (loss)	1,923	(2,376)	1,052	317	(94)
Financing income	115	89	39	34	382
Financing expenses	(867)	(1,258)	(415)	(519)	(2,294)
	1,171	(3,545)	676	(168)	(2,006)
Group share in profits of associates, net	-	3	-	1	5
Profit (loss) before taxes on income	1,171	(3,542)	676	(167)	(2,001)
Taxes on income (tax benefit)	343	(955)	221	25	(406)
Profit (loss) from continuing operations	828	(2,587)	455	(192)	(1,595)
Profit (loss) from discontinued operations, net	95	(401)	21	(86)	(158) **)
Net profit (loss)	923	(2,988)	476	(278)	(1,753)
Attributable to:					
Shareholders of the Company	581	(3,092)	302	(326)	(1,817)
Non-controlling interests	342	104	174	48	64
	923	(2,988)	476	(278)	(1,753)
Net earnings (loss) per share attributable to shareholders of the Company (NIS)					
Basic earnings (loss) from continuing operations	28.4	(229.9)	16.6	(20.0)	(125.0) **)
Basic earnings (loss) from discontinued operations	5.5	(34.3)	1.2	(7.2)	(11.9) **)
Basic earnings (loss)	33.9	(264.2)	17.8	(27.2)	(136.9)
Diluted earnings (loss) from continuing operations	27.2	(229.9)	15.9	(20.0)	(125.0) **)
Diluted earnings (loss) from discontinued operations	5.3	(34.3)	1.2	(7.2)	(11.9) **)
Diluted earnings (loss)	32.5	(264.2)	17.1	(27.2)	(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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020 *)	2021	2020 *)	2020
	Unaudited				Audited
	NIS millions				
Net profit (loss)	923	(2,988)	476	(278)	(1,753) **)
Other comprehensive income (loss) (net of tax effect):					
Amounts not reclassified to profit or loss:					
Profit (loss) from an investment in equity instruments measured at fair value through other comprehensive income	86	(139)	14	10	(101)
Revaluation for transfer from fixed assets to investment property	-	-	-	-	27
Total	86	(139)	14	10	(74)
Amounts classified or reclassified to profit or loss under specific conditions:					
Profit (loss) from financial assets at fair value through other comprehensive income	-	1	-	(8)	-
Profit (loss) from cash flow hedges	(614)	985	(389)	(201)	645
Transfer to the statement of income for cash flow hedges	77	(379)	70	(248)	(570)
Foreign currency translation differences for foreign operations	125	169	(223)	(232)	(594)
Transfer to profit or loss for foreign currency translation differences for foreign operations	-	28	-	13	28
Other comprehensive income (loss) attributable to associates, net	-	(2)	-	-	(2)
Total	(412)	802	(542)	(676)	(493)
Total other comprehensive loss from continuing operations	(326)	663	(528)	(666)	(567)
Total comprehensive income (loss)	597	(2,325)	(52)	(944)	(2,320)
Attributable to:					
Shareholders of the Company	181	(2,442)	(149)	(963)	(2,091)
Non-controlling interests	416	117	97	19	(229)
	597	(2,325)	(52)	(944)	(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 option and 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	-	-	-	581	-	-	-	-	581	342	923
Other comprehensive income	-	-	-	-	72	-	(472)	-	(400)	74	(326)
Total comprehensive income (loss)	-	-	-	581	72	-	(472)	-	181	416	597
Issue of shares	-	10	-	-	-	-	-	-	10	-	10
Exercise of options for shares	1	45	(8)	-	-	-	-	-	38	-	38
Transactions with non-controlling interests	-	-	-	-	-	(3)	-	-	(3)	3	-
Adjusted dividend for prior years for non-controlling interests	-	-	-	-	-	-	-	-	-	7	7
Balance as at June 30, 2021	19	2,396	30	2,170	(861)	(680)	(448)	(314)	2,312	3,590	5,902

*) Mainly capital reserve for cash flow hedges

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

Net profit attributable to non-controlling interests	342
Loss for financial assets measured at fair value through other comprehensive income, net	20
Foreign currency translation differences for foreign operations	54
Total comprehensive income attributable to non-controlling interests	416

***) 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 option and 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)	-	-	-	(3,092)	-	-	-	-	(3,092)	104	(2,988)
Other comprehensive income	-	-	-	-	117	-	533	-	650	13	663
Total comprehensive income (loss)	-	-	-	(3,092)	117	-	533	-	(2,442)	117**)	(2,325)
Issue of shares and options	1	122	12	-	-	-	-	-	135	-	135
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)
Deconsolidation	-	-	-	-	-	-	-	-	-	(221)	(221)
Sale of shares to non-controlling interests	-	-	-	-	30	(381)	15	-	(336)	407	71
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(8)	(8)
Balance as at June 30, 2020	14	2,041	30	314	(506)	(672)	521	(314)	1,428	3,734	5,162

*) As at June 30, 2020, mainly capital reserve for cash flow hedges

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

Net profit attributable to non-controlling interests	104
Loss for financial assets measured at fair value through other comprehensive income, net	(51)
Loss from cash flow hedges	(5)
Foreign currency translation differences for foreign operations	69
Total comprehensive income attributable to non-controlling interests	117

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 option and 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 April 1, 2021	18	2,361	35	1,868	(723)	(678)	(135)	(314)	2,432	3,484	5,916
Net profit	-	-	-	302	-	-	-	-	302	174	476
Other comprehensive income	-	-	-	-	(138)	-	(313)	-	(451)	(77)	(528)
Total comprehensive income (loss)	-	-	-	302	(138)	-	(313)	-	(149)	97 **)	(52)
Issue of shares	-	10	-	-	-	-	-	-	10	-	10
Exercise of options for shares	1	25	(5)	-	-	-	-	-	21	-	21
Transactions with non-controlling interests	-	-	-	-	-	(2)	-	-	(2)	2	-
Adjusted dividend for prior years for non-controlling interests	-	-	-	-	-	-	-	-	-	7	7
Balance as at June 30, 2021	19	2,396	30	2,170	(861)	(680)	(448)	(314)	2,312	3,590	5,902

*) Mainly capital reserve for cash flow hedges

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

Net profit attributable to non-controlling interests	174
Loss for financial assets measured at fair value through other comprehensive income, net	6
Foreign currency translation differences for foreign operations	(83)
Total comprehensive income attributable to non-controlling interests	97

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 option and 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 April 1, 2020	13	1,919	18	640	(311)	(665)	963	(314)	2,263	3,934	6,197
Net profit (loss)	-	-	-	(326)	-	-	-	-	(326)	48	(278)
Other comprehensive loss	-	-	-	-	(195)	-	(442)	-	(637)	(29)	(666)
Total comprehensive income (loss)	-	-	-	(326)	(195)	-	(442)	-	(963)	19**)	(944)
Issue of shares and options	1	122	12	-	-	-	-	-	135	-	135
Deconsolidation	-	-	-	-	-	-	-	-	-	(221)	(221)
Sale of shares to non-controlling interests	-	-	-	-	-	(7)	-	-	(7)	2	(5)
Balance as at June 30, 2020	14	2,041	30	314	(506)	(672)	521	(314)	1,428	3,734	5,162

*) Mainly capital reserve for cash flow hedges

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

Net profit attributable to non-controlling interests	48
Profit from cash flow hedges	4
Foreign currency translation differences for foreign operations	(33)
Total comprehensive income attributable to non-controlling interests	19

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 option and 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
	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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS millions				
Cash flows from operating activities					
Net profit (loss)	923	(2,988)	476	(278)	(1,753) *)
Adjustments to reconcile cash flows from operating activities (a)	756	4,957	(24)	1,405	4,920 *)
Net cash from operating activities	1,679	1,969	452	1,127	3,167
Cash flows from investing activities					
Purchase of fixed assets, investment property and intangible assets	-	(37)	-	(20)	(53)
Proceeds from sale of fixed assets and investment property	-	35	-	4	35
Proceeds from sale of financial assets, net	123	69	100	83	440
Repayment (provision) of loans to associates, net	-	(1)	-	-	3
Short-term investments, net	(502)	(235)	(340)	112	(284)
Change in long-term bank deposits, net	(8)	27	(2)	135	16
Investments in oil and gas exploration and assets	(444)	(737)	(157)	(319)	(1,170)
Insurance proceeds	-	-	-	-	65
Cash received from disposal of investments in previously reported consolidated subsidiaries (B)	-	191	-	191	1,263
Advance payment on account of the disposal of an investment in a subsidiary	-	100	-	100	-
Cash flows used for acquisition of control in companies and operations (C)	-	(7)	-	-	(7)
Proceeds from disposal of an investment in associates	113	169	38	-	169
Investments in associates	-	-	-	-	(1)
Tax paid for disposal of investments	(27)	-	(27)	-	-
Repayment of loans to others, net	115	72	35	4	92
Net cash from (used for) investing activities	(630)	(354)	(353)	290	568

*) Retrospective reconciliation - see Note 3B

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

Consolidated Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS millions				
Cash flows from financing activities					
Short-term loans from banks and others, net	-	(248)	-	(477)	(1,161)
Transactions with non-controlling interests	-	(137)	-	-	(137)
Receipt of long-term loans	104	100	-	100	113
Repayment of long-term loans	(793)	(1,644)	(190)	(835)	(9,585)
Dividend paid to non-controlling interests	(85)	(55)	(27)	(8)	(190)
Acquisition of treasury shares by a subsidiary partnership	-	(60)	-	-	(60)
Issue of shares and options (net of issuance costs)	10	135	10	135	347
Exercise of options	38	-	14	-	100
Repayment of lease liabilities	-	(87)	-	(53)	(123)
Payment for contingent/deferred consideration	-	(200)	-	(200)	(200)
Issue of debentures and convertible debentures into shares (less issuance costs)	515	-	515	-	8,145
Repayment of debentures	(350)	(374)	(77)	(75)	(2,043)
Net cash from (used for) financing activities	(561)	(2,570)	245	(1,413)	(4,794)
Exchange differences on cash balances of foreign operations	(7)	(1)	(22)	(10)	(35)
Change in cash and cash equivalents attributable to operations held for sale	-	(21)	-	(21)	(21)
Increase (decrease) in cash and cash equivalents	481	(977)	322	(27)	(1,115)
Cash and cash equivalents at the beginning of the period:	402	1,517	561	567	1,517
Cash and cash equivalents at the end of the period	883	540	883	540	402

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

Consolidated Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	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	529	5,033	75	484	5,004
Deferred taxes, net	295	(1,074)	199	16	(613)
Decrease in employee benefit liabilities, net	-	(2)	-	(1)	(3)
Decrease (increase) of loans provided, net	(90)	49	(20)	56	(26)
Profit (loss) from the sale of fixed assets, real estate and investments, net	(10)	245	(3)	265	220 *)
Group's share of results of associates, net (1)	1	(5)	5	(2)	14
Change in fair value of financial assets and financial derivatives, net	(236)	276	(90)	36	184
Decrease in long-term liabilities, net	53	40	31	20	133
Cost of share-based payment	-	(5)	-	-	(5)
Proceeds received for hedging swap	-	547	-	407	547
Change in value of investment property, net	12	4	2	-	(3)
Changes in operating assets and liabilities:					
Decrease (increase) in trade receivables	(207)	216	(227)	281	(50)
Decrease (increase) in other receivables	26	69	(41)	(12)	152
Decrease (increase) in inventory	(52)	43	15	(8)	22
Increase in other assets, net	(7)	(6)	(2)	(3)	(19)
Increase (decrease) in trade payables	349	(91)	237	(16)	(105)
Increase (decrease) in other accounts payable	93	(382)	(205)	(118)	(532)
	756	4,957	(24)	1,405	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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS millions				
(B) Cash added (deducted) from disposal of investments in previously consolidated companies					
Working capital, net	-	(9)	-	(9)	(384)
Investments in oil and gas exploration and production assets	-	634	-	634	550
Other long-term assets	-	261	-	261	1,143
Intangible assets	-	-	-	-	331
Long-term liabilities					(1,045)
Deferred taxes	-	(193)	-	(193)	(145)
Loan to the buyers for the acquisition	-	-	-	-	
Other long-term assets	-	-	-	-	1,294
Assets held for sale	-	-	-	-	853
Investment in an associate company					(407)
Liabilities attributable to assets held for sale	-	-	-	-	(516)
Movement in capital reserves, net	-	18	-	18	15
Loss from disposal of investment	-	(235)	-	(235)	(205)
Non-controlling interests	-	(285)	-	(285)	(221)
	-	191	-	191	1,263
(c) Investment derecognized for acquisition of control in companies and operations					
Working capital (excluding cash and cash equivalents), net	-	2	-	-	2
Fixed assets, net	-	(9)	-	-	(9)
	-	(7)	-	-	(7)

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

Consolidated Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS millions				
(D) Significant non-cash activities					
Purchase of fixed assets, investment property and intangible assets	-	6	-	6	9
Investment in oil and gas assets against a liability	36	201	36	201	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
Repayment of a liability to a bank against the sale of shares in swap transactions	-	415	-	415	-
(e) Additional information on cash flows					
Cash paid during the period for:					
Interest	523	729	337	357	1,673
Oil profits taxes and levies	99	233	96	228	311
Cash received during the period for:					
Interest	24	11	24	4	9
Taxes	6	1	-	-	1

(F) See Note 3B for information about cash flows from discontinued operations.

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

NOTE 1 –

A. General

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 June 30, 2021 and for the six and 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

As at June 30, 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 3.5 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 June 2021 and June 2022, the Company and the staff companies have repayments (of principal and interest) amounting to NIS 2.3 billion and in the period between July 2022 and June 2023, another NIS 1.3 billion.

C. Actions performed by the Company in the reporting period that may reinforce its financial position

As part of its plans, the Company performed the following transactions in and subsequent to the reporting period:

- In June and July 2021, the Company issued a new series of Debentures (Series B35) for a total consideration of NIS 770 million. For further information see Note 6A below.
- Subsequent to the balance sheet date, the Company performed several additional activities, as follows:
  - In July 2021, Ithaca completed refinancing for its debts. In connection with the refinancing, Ithaca repaid an amount of NIS 800 million (USD 250 million) for the owner loan provided by the Company.
  - In August 2021, the Company issued share capital in the amount of NIS 50 million. For further information see Note 9 below.
  - In August 2021, the Company sold two of its gas stations for a consideration of NIS 19 million.
- In the first quarter of 2021, the buyer of Delek Israel exercised the option to acquire 5% of the issued and paid-up capital of Delek Israel and also paid half of the deferred consideration (see Note 1C(4) to the Annual Financial Statements for information about disposal of the Group's investment in Delek Israel). Consequently, the total consideration received by the Group amounted to NIS 75 million. In June 2021, the balance of the deferred consideration in the amount of NIS 38 million was exercised and the balance of the additional shares representing 5%, was transferred to the buyer. As at June 30, 2021, the Group holds 25% of the issued and paid up share capital of Delek Israel. For further information see Note 3B below.

NOTE 1 – (CONTD.)

C. Actions performed by the Company in the reporting period that may reinforce its financial position (contd.)

- In the reporting period, 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 9 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 proceeds of the loan were mainly used to repay a previous loan taken in connection with the property. For further information see Note 7A below.
- In March 2021, the Group signed a detailed agreement (with terminating terms) for the sale of investment property in Acre for NIS 200 million as is. For further information see Note 4 below.

The Company is continuing to advance and to invest great effort to perform equity operations in Ithaca in respect of its investment therein, including its issuance on the London Stock Exchange, and in this matter, see also the refinancing completed by Ithaca subsequent to the balance sheet date in a total amount of USD 1.85 billion (as set out in Note 5N below). The Company is also assessing, as part of its strategy, the disposal of additional assets and the receipt of loans and/or the assessment of the partial exchange of the debentures.

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

In June 2020 and May 2021, the Company reached agreements with representatives of the debenture holders and with banks. For information about the events, agreements, and covenants established in the agreements, see Notes 1C and 19G to the Annual Financial Statements and Note 6B below.

E. Covid-19

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.
For information about the consequences of the Covid-19 pandemic, see Notes 1B, 1C, and 19G to the Annual Financial Statements.
In the reporting period, oil prices started to rise (compared to prices at the end of 2020).

F. Conclusion

The Company has worked with success and is continuing to implement its business plans, which include: Completion of the equity procedures in investees, including the raising of capital, disposal of assets and investments, raising of debt based on assets and receipt of dividends from investees, in order to meet its various obligations. In addition, as at the approval date of the financial statements, the Company has several alternatives in the event that any of its business plans for the near future do not materialize and/or are not realized in full, including financing and/or disposing of additional assets, such as: 100% of Ithaca shares, the seller’s loan of The Phoenix, the sale of a real estate property that it owns, and the proven ability to raise equity.
Based on experience and on the Company's proven ability to raise the resources required to meet its commitments, which have also been reflected over the past year and a half (during the global Covid-19 crisis), the Company believes that its plans are reasonable and that it is likely that they will be realized.

NOTE 1 – (CONTD.)

F. Conclusion (contd)

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, raise debt based on assets, and receive dividends from investees. The amounts of these sources are required for repayment of the liabilities of the Company and the staff companies, as follows: In the period from July 1, 2021 to June 30, 2022, the Company and the staff companies are required to repay liabilities to debenture holders, financial institutions, and others in the amount of NIS 2.3 billion, and as from July 1, 2022 to June 30, 2023, an amount of NIS 1.3 billion).

Since completion of the Company's plans is not under its sole control and depends, among other things, on third parties and/or market conditions, and in view of the financial covenants that were determined with the debenture holders and other lenders, the main ones being upgrading the debenture rating to BBB-, which may, if the rating is not upgraded at the dates set, require their consent not to call for immediate repayment of the debentures, there is uncertainty as to the actual materialization of the plans. These factors raise doubt as to the Company's ability to continue as a going concern.
It should be emphasized that 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.

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).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

B. Initial application of amendments to existing accounting standards (contd.)

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.

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 June 30, 2021, the Company, through an external valuator, measured the value of the Future Consideration. As at June 30, 2021, the fair value of the Future Consideration amounted to NIS 199 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 90 million in the first half 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 0.38%. In addition, the annual standard deviation was estimated at 31.1% 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 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 518 million (including accrued interest).

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

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.

   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 share 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. On June 23, 2021, the Buyers transfered the balance of the deferred consideration in the amount of NIS 37.5 million to the Group, against the transfer of the remaining 5% of the Deferred Shares to the Buyer. Consequently, as at June 30, 2021, the Group holds 25% of the issued and paid-up capital of Delek Israel. As a result of the disposals, the Company recorded a profit in the amount of NIS 10 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 approval 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:

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020 *)
	Unaudited				Audited
	NIS millions				
Revenue	-	1,477	-	522	2,193
Cost of revenues	-	1,234	-	382	1,774
Gross profit	-	243	-	140	419
Selling, marketing and gas station operating expenses	-	231	-	110	342
General and administrative expenses	-	42	-	16	61
Group share in profits of operating associates	-	1	-	-	2
Other expenses, net	-	(135)	-	(42)	(143)
Operating loss	-	(164)	-	(28)	(125)
Financing expenses (income)	-	39	-	24	(11)
Pre-tax loss	-	(203)	-	(52)	(114)
Taxes on income (tax benefit)	-	(52)	-	(12)	11
					(125)
Profit on disposal of an operation	10	-	3	-	131
Profit (loss) from discontinued operations	10	(151)	3	(40)	6

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

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020 *)
	Unaudited				Audited
	NIS millions				
Net cash from operating activities	-	356	-	325	283
Net cash from investing activities	-	29	-	77	563
Net cash used for financing activities	-	(285)	-	(304)	(876)
	-	100	-	98	(30)

*) 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. 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:

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020 *)
	Unaudited				Audited
	NIS millions				
Revenue	-	237	-	119	362
Cost of revenues	-	225	-	104	335
Gross profit	-	12	-	15	27
General and administrative expenses	-	1	-	-	3
Operating profit	-	11	-	15	24
Financing expenses, net	-	(24)	-	(10)	(30)
Profit (loss) before impairment of investment	-	(13)	-	5	(6)
Impairment of an investment	-	(184)	-	(10)	(191)
Loss from discontinued operations	-	(197)	-	(5)	(197)

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

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020 *)
	Unaudited				Audited
	NIS millions				
Net cash from (used for) operating activities	-	(28)	-	(32)	37
Net cash from investing activities	-	8	-	4	6
Net cash used for financing activities	-	-	-	(1)	(23)
	-	20	-	(29)	20

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

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

C. Delek Drilling

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 Participating 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. 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.

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

C. Delek Drilling (contd.)

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.

It should be noted that on May 24 and May 26, 2021, the Partnership reported its response to the motion of the Tel Aviv Stock Exchange and the Israel Securities Authority, respectively. On July 5, 2021, Cohen Development Gas and Oil Ltd., Y.N.U. Nominee Company Ltd. and J.O.E.L. Jerusalem Oil Exploration Ltd. ("the Parties Moving to Join the Proceeding") filed a motion to join the proceeding as a party and for clarification of the provisions of the Arrangement, on July 18, 2021, Delek Drilling Management Ltd. (the general partner in Delek Drilling) filed a response to the motion, and on July 26, 2021, the court ruled that the Parties Moving to Join the Proceeding would be joined to the proceeding as a party, and that there was no room to split the hearing.
The pretrial hearing was postponed from time to time and was scheduled for October 13, 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.

D. Ithaca

(1) In May 2021, Ithaca distributed a dividend in the amount of USD 15 million.

(2) As set out in Note 5N below, subsequent to the balance sheet date, in July 2021, Ithaca completed the refinancing process following which Ithaca repaid the Group USD 250 million (NIS 800 million) on account of an owner loan. Subsequent to the repayment, the balance of the Group's loan to Ithaca (including accrued interest) amounts to USD 30 million dollars (NIS 98 million).

NOTE 4: INVESTMENT PROPERTY

Further to Note 11D to the Annual Financial Statements regarding the detailed agreement with terminating terms for the sale of investment property in Acre for NIS 200 million as is, in the reporting period, 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. Subsequent to balance sheet date, in July 2021, the Buyer transfered an additional amount of NIS 20 million to the escrow account. As at June 30, 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

(1) Further to Note 12D(2) to the Annual Financial Statements regarding the assessment of alternatives for increasing production in the Leviathan project, considering the volume of production from the Leviathan reservoir and the demand in the first half of 2021, and to improve the redundancy in the production system, the operator recommended bringing forward the drilling of another development and production well, which was planned for later years, to 2022. Accordingly, on July 12, 2021, the Leviathan partners announced that they had reached a decision about the drilling of the Leviathan-8 development and production well in the area of the I/15 Leviathan North lease, with a budget of USD 248 million (100%, the Partnership's share is USD 112 million) (including completion and connection to the production system of the Leviathan reservoir).
It should be noted that according to the operator, this budget is a preliminary estimate, and it may be increased or decreased by up to 20%, depending, among other things, on the scope of operations in the well and the actual costs of equipment, materials, and service companies. The well will be integrated as part of the system of production wells in the Leviathan reservoir, under the development plan. In addition, the infrastructures required in the Leviathan leases for connecting the well to the existing subsea production system of the Leviathan project will be constructed. The drilling is subject to all of the required regulatory approvals for drilling the well, including the required approvals from the Commissioner of Petroleum Affairs at the Ministry of Energy and from the Ministry of Environmental Protection.

(2) Further to Note 12D(2) to the Annual Financial Statements regarding the assessment of alternatives for increasing production in the Leviathan project, subsequent to the balance sheet date, on July 6, 2021, the Leviathan partners and Exmar NV, a technology and FLNG services provider, signed an amendment and addendum to an interim agreement signed between them, to extend the agreement and continue to develop the collaboration between them.
As at the approval date of the financial statements, the Leviathan partners are continuing to advance the construction of the FLNG facility for the Leviathan project, which will be positioned in Israel's exclusive economic zone, including receipt of the required regulatory approvals.

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

A. Leviathan project (contd.)

(3) On June 14, 2021, Chevron Mediterranean Limited (formerly Noble Energy Mediterranean Ltd., below: "Chevron") signed a nonbinding MOU with Petroleum & Energy Infrastructures Ltd. ("PEI"), defining the division of the responsibility between Chevron and PEI in a project for the construction and operation of designated infrastructure for piping condensate from the Leviathan platform to storage containers on the site of the Orot Rabin power plant, which will be rented for this purpose, and for loading of the condensate onto tankers. It is clarified that execution of the project described above is subject to the signing of a binding agreement between the parties, the signing of an agreement between PEI and the Israel Electric Corporation Ltd. regarding the use of areas on the site of the power plant, and receipt of any regulatory approvals that may be required.

(4) In June 2021, NSAI submitted a report on the estimated reserves and contingent resources in the Leviathan leases, updated as at March 31, 2021. According to the report, the total quantity of resources is estimated at 639.2 BCM and 49.6 million barrels, divided into categories of reserves and contingent resources.

The quantity of proved developed producing reserves is 342.9 BCM and the quantity of reserves classified as proved + probable reserves is 384 BCM. In addition, the quantity of proved developed producing condensate reserves is 26.6 million barrels and the quantity of reserves classified as proved + probable reserves is 29.8 million barrels.

The contingent resources report divides the contingent resources into two categories, referring to each of the reservoir development stages, as follows:

1. Contingent resources classified as development pending: These resources are contingent upon decisions for additional drillings, the construction of related infrastructure, and the signing of additional agreements for the sale of natural gas part of Phase 1- First Stage.
2. Future development: Resources contingent on the FID, according to Phase 1 - Second Stage of the development plan and an additional phase (if the development plan is revised), and additional agreements for the sale of natural gas between 362 BCM (high estimate) and 128 BCM (low estimate) and contingent condensate reserves are between 28.1 million barrels (high estimate) and 10 million barrels (low estimate).

These estimates of the natural gas reserves, condensates, and contingent and probable resources of oil and natural gas in the Partnership's rights in the Leviathan leases are partially based on geological, geophysical, engineering, and other information received from the drillings and from the operator in these rights. These estimates are the professional estimates and assumptions only of NSAI, for which there is no certainty. Actual quantities of natural gas and/or condensate consumed may be different from these estimates and assumptions, partly due to technical and operational conditions and/or regulatory changes and/or the supply and demand conditions in the natural gas and/or condensate market and/or commercial conditions and/or from actual performance of the reservoirs. The estimates and assumptions may be revised if additional information becomes available and/or as the result of a range of factors related to oil and natural gas exploration and production projects.

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

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, 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. 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 and Dalit 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.
   - 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.
   Further to the negotiations with the Buyers and with a potential foreign buyer, as at the approval date of the financial statements, the Partnership is in the advanced stages of signing a binding sales agreement.

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

B. Tamar project (contd.)

3. 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. 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 had been deferred until the sale of the shares.

4. 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 was supplied from the Leviathan reservoir. On May 21, 2021, production of natural gas from the Tamar reservoir and the flow of natural gas to Egypt resumed. It should be noted that suspension of production did not have a material effect on the Partnership's revenue for the sale of gas in the second quarter of 2021.

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:

	June 30 2021	December 31, 2020
	Unaudited	Audited
	NIS millions	
Current assets	18	112
Investments in oil and gas assets	3,693	3,657
Other long-term assets	63	107
Total assets held for sale	3,774	3,876
Tamar Bond debentures *)	-	2,043
Other long-term liabilities	150	187
Total liabilities attributable to assets held for sale	150	2,230

*) As at June 30, 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.

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

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 200 million (NIS 650 million) (instead of USD 153 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 17.7 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. On June 10, 2021, the Partnership filed a detailed objection to all of the rulings of the tax assets for the assessment in the objection year.

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 in April 2021, Energean reported, among other things, that production of natural gas from the Leviathan reservoir is expected to start in the second 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 20.3 million arising from an adjustment of the value of royalties from the Leases amounting to USD 14.3 million and an adjustment of the receivables in respect of the loan to Energean amounting to USD 6 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: 5.04 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.

It should be noted that in recent months, Energean and the Partnership exchanged letters about the Partnership's demand for payment of the balance of the consideration for the amounts due for the Company's loan to Energean, in the amount of USD 65 million (not including interest), in one immediate payment, under the terms of the agreement for the sale of the rights in Karish and Tanin. As at the approval date of the financial statements, the Partnership is considering filing a lawsuit against Energean in this matter.

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

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 Chevron 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. On May 31, 2021, the Competition Court approved the agreed order, thus fulfilling all of the preconditions for the effectiveness of the settlement agreements signed between the Tamar's partner and the IEC and between the Leviathan partners and the IEC.

F. Further to Note 12M(1)(c) to the Annual Financial Statements in connection with the gas supply agreement between the Tamar partners and the IEC, on July 4, 2021, the Partnership reported on advanced negotiations between the IEC and all the Tamar partners, other than the Partnership ("the Other Tamar Partners"), in connection with the sale of gas to the IEC. It should further be noted that on July 27, 2021, a non-binding MOU was signed between the Other Tamar Partners and the IEC, which is subject to the completion of negotiations between them and the signing of an agreement. As of the approval date of the financial statements, the Partnership is assessing the various options available to it regarding its joining the agreement.

G. 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, 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.

H. Further to Note 12M2b to the Annual Financial Statements regarding an agreement between the Leviathan partners and the IEC for the supply of gas, on June 7, 2021, the Partnership reported that it had received a letter from the Competition Authority, according to which Partnership and Chevron were required to immediately revoke the 'exclusivity clause' in the agreement between the Leviathan partners and the IEC for the supply of natural gas, after the Competition Authority alleged that Section 22(A) of Appendix A to the government decision regarding the Gas Framework had been breached. The Partnership believes, based on the opinion of its legal counsel, that its actions in connection with the agreement did not contradict the provisions of the Gas Framework, and it disputed the authority of the Competition Authority in this matter. Notwithstanding the aforesaid, on June 10, 2021, the Leviathan partners notified the Competition Authority of their consent to the revocation of the clause, and on June 14, 2021, the IEC was notified that the clause had been revoked, without this constituting an admission or consent to the notice of the Competition Authority and/or any of the claims raised against the agreement and/or the clause. Since the agreement is valid until June 30, 2021, the aforesaid had no effect on the Partnership's revenue in the second quarter of 2021.

I. Subsequent to the balance sheet date, on July 4, 2021, the Leviathan partners signed a framework agreement with the IEC for the supply of natural gas on an interruptible basis (SPOT) for a period of one year, at a price to be agreed on between the parties from time to time. The agreement does not obligate the parties to purchase or sell any quantities of natural gas, and each party may terminate the agreement at any time.

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

J. 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 October 5, 2021.

K. Subsequent to the balance sheet date, on August 3, 2021, the draft Income Tax Regulations (Rules for Calculation of Tax on the Holding and Sale of Participating Units in an Oil Exploration Partnership) (Amendment), 2020, was approved at the Knesset Finance Committee in its amended version ("the Amended Version of the Regulations"). According to the Amended Version of the Regulations, among other things, as from the tax year 2022 (instead of the tax year 2021 in the draft regulations), the Partnership will be taxed as a company (meaning, by a two-stage method). The Partnership is assessing the possible consequences arising from the changes in the Amended Version of the Regulations.
In view of the approval of the Amended Version of the Regulations as aforesaid and based on the Group's preliminary estimation, the Group is expected to record a deferred tax liability amounting to USD 70 million. Recognition of this liability will reduce the Group's profits and will result in recognition of current tax expenses in the statement of income and is also expected to have an effect on other comprehensive income.

L. Further to Note 12T to the Annual Financial Statements regarding a legal proceeding in the matter of Section 19 of the Taxation of Profits from Natural Resources Law, 2011, it should be noted that on June 28, 2021, a court judgment was handed down, the main rulings of which are as follows:

1. For tax payments paid by the Partnership for the tax years 2015 and 2016, the Partnership is required to pay corporate-holders balancing payments in accordance with the "out-of-pocket adjustment" alternative described in the judgment, meaning, payment of the "surplus" amount paid for the individual holders.

2. For 2017 onwards, it is the Partnership that will pay the tax assessment differences, if any, however there will be no balancing payments in respect thereof. Regarding the manner of the future balancing and tax payments, according to the judgment, the Partnership will continue to act in accordance with the arrangement, as it has done since the tax year 2017, as set out in Note 20T to the Annual Financial Statements. The judgment thus grants all of the holders in the Partnership certainty as to the manner of the future balancing and tax payments. The Partnership estimates that the Partnership is required to pay corporate holders, for past periods, an amount of USD 12.4 million, in respect of which there is a sufficient provision in the Partnership's financial statements (the Group's share in the provision amounts to USD 9 million).
In addition, on July 1, 2021, several holders filed a clarification motion with the court, in which the court was moved to order how the payment should be made according to the "out-of-pocket adjustment" alternative set out in the judgment for payment of interest and linkage, and on August 9, 2021, the court ruled that lawful interest and linkage differentials will be added to such payment, in accordance with the provisions of the Adjudication of Interest and Linkage Law, 1961.

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

M. As at June 30, 2021, following the recovery in the price of oil and gas and the increase in the quantity of reserves, the Group, through an independent outside valuator, assessed the need to reverse the impairment of oil and gas development and production assets in the North Sea region. As a result, the Group recognized income for the reversal of the provision for impairment (before tax) in the amount of USD 102 million (NIS 333 million).

The valuation was performed by an independent outside valuator using the cash flow discounting method, based on a discount rate after tax of 9.75% of future Brent oil prices of USD 65 per barrel in 2021, USD 65 per barrel in 2022, USD 66 per barrel in 2023, and reaching USD 69 per barrel in 2025, and future gas prices of 78 penny per thermal unit in 2021, 70 penny per thermal unit in 2022, 53 penny per thermal unit in 2023, and reaching 55 penny per thermal unit in 2025.

The valuation is classified at level 3 on the fair value hierarchy.

N. Refinancing in Ithaca

Subsequent to the balance sheet date, in July 2021, Ithaca completed the refinancing process, which included an agreement with a consortium of international banks to provide a reserve based lending facility and guarantees ("the RBL Facility") amounting to USD 1.225 billion, repayable by 2026, as well as the issuance on July 23, 2021 of a debenture series amounting to USD 625 million, repayable in 2026 ("the Debenture Series"). The blended interest rate of the total financing (the RBL Facility, assuming full utilization of the framework for withdrawal and excluding the guarantee and the addition of the debentures) is 5.2% as set out below.
Shortly after completion of the refinancing, Ithaca repaid the Company an amount of USD 250 million on account of the owner loan provided by the Company to Ithaca. In addition, the proceeds of the debentures, together with amounts withdrawn from the RBL Facility, were used for the final (early) repayment of Ithaca's existing debenture series in the amount of USD 500 million, due for repayment in 2024 and to pay the costs related to refinancing. The cost of early repayment of the debentures in Ithaca will be reflected in the third quarter of 2021 and amounts to USD 23 million.

Below are the main terms of the refinancing:

1. RBL Facility

The consortium of banks will provide a subsidiary of Ithaca with a RBL Facility in the amount of USD 1.225 billion. The loan will be for five years. Most of the RBL facility bears annual interest of Libor + 3.5% in the first four years and 3.75% in the fifth year. A total of up to USD 300 million of the RBL Facility will be used by Ithaca as collateral (LC) for its obligations to abandon its oil assets. The unutilized facility can only be utilized if certain conditions are fulfilled, based mainly on the expected production rate and forecasted prices of oil and gas.

(B) To secure the RBL Facility, Ithaca pledged the shares of subsidiaries that directly hold rights in the oil assets in a first-degree lien in favor of the lenders and floating and fixed liens on the assets of the subsidiaries, as is standard in this type of transaction.

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

N. Refinancing in Ithaca (contd.)

1. RBL Facility: (contd.)

(C) The terms of the RBL Facility set out a number of restrictions, the breach of which will serve as grounds to call for immediate repayment of the debt, as is standard in loans of this type, including restrictions on taking additional credit, acquiring and selling assets, creating liens and guarantees and restrictions on the distribution of a dividend, as set out in section (D) below.

(D) The terms of the RBL Facility includes standard restrictions for the distribution of a dividend, including:

- All payments for which Ithaca is liable under the terms of the RBL Facility were paid in full.
- Ithaca's cash flow does not indicate the absence of financing capacity to support its operations and there is no deviation in the amount of the permitted loans.
- The distribution is only permitted as from the earlier of: (1) production of first crude oil from the EOR 2 plan in the Captain field (2) the elapse of two years from the effective date of the RBL Facility, provided that Ithaca has a surplus liquidity margin as set out in the terms of the RBL Facility. If Ithaca lists on the London Stock Exchange (or on other stock exchanges that were defined) at least 25% of the issued share capital of the subsidiary, the provisions of sections (1) and (2) above will no longer apply.

E. Under the terms of the RBL Facility, Ithaca undertook to maintain the financial and operational covenants, as follows:

- The net debt to EBITDAX ratio in the relevant period will be less than 1:3.5.
- The total sources should exceed the total uses up to the repayment date. Compliance with this covenant is assessed using a liquidity test once every six months. In addition, the liquidity test is also performed when a new asset is acquired or if Ithaca intends to distribute a dividend.
- The ratio between the net present value of the secured cash flows under the RBL Facility for the life of the projects and the amount drawn under the RBL Facility will not fall below 1:1.15.
- The ratio between the net present value of the secured cash flows under the credit facilities for the life of the RBL Facility and the amount drawn under the credit facility will not fall below 1:1.05.

Non-compliance with any of the covenants described above constitutes an event of default for which the lenders are entitled to call for immediate repayment of the debt.

(F) Raising costs of the RBL Facility amounted to USD 27 million.

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

N. Refinancing in Ithaca (contd.)

2. Issuance of debentures

Ithaca completed an issuance of a debenture series in the total amount of USD 625 million, the terms of which include the following:

A) The principal of the debentures will be repaid within five years and the annual interest rate set in the tender is 9% (paid every six months). The debentures will constitute a senior debt of the issuer and will be guaranteed by Ithaca and its subsidiaries.

(B) Some of the companies in Ithaca Group serve as guarantors for the obligations set out in the debentures. Under the terms of the debentures, insolvency of any the guarantors will constitute grounds to call for immediate repayment of the debt.

(C) The terms of the debentures set out a number of restrictions, the breach of which will serve as grounds to call for immediate repayment of the debt, as is standard in loans of this type, including restrictions on taking additional credit, acquiring and selling assets, and restrictions on the distribution of a dividend.

O. Further to Note 12S to the Annual Financial Statements regarding the Taxation of Profits from Natural Resources Legislative Bill (Amendment), 2021, subsequent to the balance sheet date, on August 16, 2021, the Bill was approved by the Finance Committee with a number of amendments, including that the Tax Authority will be entitled to collect 75% of the disputed levy in the tax year underlying the decision on the objection (instead of payment of the full amount of the levy by the partners in the project). As at the approval date of the financial statements, the legislative procedures have not yet been completed, therefore it is uncertain whether and when the bill will be passed and in what format.

NOTE 6: DEBENTURES

A. In June-July 2021, the Company issued NIS 770,806,000 par value Debentures (Series B35), in consideration for NIS 770 million (NIS 764 million net of issuing costs). The Debentures are unlinked to the CPI and bear annual interest at rate of 7.2%. The debenture principle will be repaid in five annual installments starting on December 31, 2023. The interest will be paid in semi-annual installments on June 30 and December 31, starting on December 31, 2021. To secure the repayment of Debentures (Series B35), the Group encumbered Delek Drilling participating units. In addition, as part of the deed of trust for Debentures (Series B35), the Company undertook the following:

1. As long as the Debentures (Series B35) are not repaid in full, the Company will not create a floating lien on any of its assets and rights, existing or future, in favor of any third party, to secure any debt or liability, unless it applies one of the following alternatives: 1) obtaining the prior consent of the holders of Debentures (Series 35); 2) when creating the floating lien in favor of the third party, creation of a floating lien in favor of the holders of Debentures (Series B35), which is at the same degree pari passu according to the Company's debts to the third party and the debenture holders; 3) providing an automatic bank guarantee in favor of the holders of Debentures (Series 35), all in accordance with the terms set out in the deed of trust. As at June 30, 2021, the Company is in compliance with its obligation.

2. The Company undertook to comply with the following financial covenants:

   - The Company's equity will not fall below NIS 1,600 million based on the audited or reviewed financial statements, for two consecutive quarters, as the case may be. As at June 30, 2021, the capital attributable to the Company's shareholders amounted to NIS 2,312 million.
   - As from the issuance date and up to the test date starting at the publication date of the annual financial statements as at December 31, 2021, the Company's equity will not fall below 12.5% of the total balance sheet in accordance with the Company's audited or reviewed separate statements, as the case may be, for two consecutive quarters. As from the test date starting at the publication date of the financial statements as at March 31, 2022 and at any subsequent test date, the ratio will not fall below 15% for two consecutive quarters. As at June 30, 2021, this ratio amounts to 26%.
   - If the Company's equity falls below NIS 1,650 million, or the ratio of the equity to total separate balance sheet, as set out above, falls below 13.5% at the test dates up to the publication dates of the annual financial statements as at December 31, 2021 or 16% at the subsequent test dates, the rate of interest on the debentures will increase by 0.25%.

3. The Company has undertaken not to make any distribution (as this term is defined in the Companies Law), including not to declare, pay, or distribute any dividend (as this term is defined in the Companies Law), unless all the terms listed below are met (before and after reduction of the distribution amount): 1) the equity will not be less than NIS 2,000 million following the distribution; 2) the Company is not in breach of one or more of its material obligations under this deed of trust and under the terms of the debentures; 3) there are no grounds for immediate repayment.

The deed of trust sets out grounds for immediate repayment of Debentures (Series B35), which include the Company's failure to comply with its obligations, as set out above; cross-default (in case of repayment of other debts to the extent set out in the deed of trust); events related to a change in the Company's business or a change in control, as set out in the deed of trust; and other events.

NOTE 6: DEBENTURES (CONTD.)

B 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 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.

C. For information about the issuance of new debentures in Ithaca subsequent to the balance sheet date and early repayment of the balance of the existing debentures shortly before the issuance, see Note 5N above.

NOTE 7: 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. 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.

C. For information about completion of the refinancing process by Ithaca subsequent to the balance sheet date, in which Ithaca entered into an agreement with a consortium of banks for a new RBL facility, see Note 5N above.

NOTE 8: 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. 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 July 15, 2021 and August 1, 2021, the Respondents filed their responses to the petition, in the context of which they claimed that the petition should be dismissed and the Petitioner should not be provided with the requested information, among other things, because it is protected by the duty of fiscal confidentiality that applies to information provided to the tax authorities.

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. After the mediator met with the parties' counsel, the mediator also met with the experts on behalf of the parties, his request. In addition, on August 10, 2021, the parties updated the court that the mediation is still underway and the court ordered the parties to submit another updated update by October 17, 2021 and by that date, they are required to have exhausted the mediation proceeding.

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 5J above.

NOTE 8: CONTINGENT LIABILITIES (CONTD.)

D. Further to Note 24A1(5) to the Annual Financial Statements, regarding a petition filed by the Homeland Guards Association with Jerusalem District Court against the Ministry of Environmental Protection and against Chevron, in which the Ministry of Environmental Protection was requested to order the release of a reasoned decision for Chevron's request to deem information about the flow of wells in the Leviathan reservoir as containing information that amounts to a trade secret, it is noted that on May 23, 2021, a hearing was held on the petition, in the context of which, in view of the consent of the Ministry of Environmental Protection to publish a reasoned decision regarding the information being a trade secret, the court dismissed the petition.

E. Further to Note 12A(1)(2) to the Annual Financial Statements regarding a motion for certification of a class action filed by a consumer of the IEC against the Tamar partners in connection with the price at which the Tamar partners sell natural gas to the IEC, it should be noted that on June 8, 2021, the district court handed down a judgment dismissing the motion for certification. .

F. On May 3, 2021, Haifa Port Company Ltd. ("Haifa Port") filed a claim against Chevron, Coral Maritime Services Ltd. ("Coral"), and Gold Line Shipping Ltd. ("Gold Line") amounting to NIS 77 million. According to Haifa Port, direct unloading of cargo in the area of the Leviathan platform, as performed by Chevron, without first unloading such cargo at one of Israel's ports, is unlawful and performed to evade mandatory payments to the port, causing financial loss for the port. According to the statement of claim, as from July 2018 onwards, Chevron unloaded cargo directly, while declaring to the tax authorities that Haifa Port is the 'unloading port', even though the cargo that was unloaded did not actually pass through Haifa Port. The claim against Coral and Gold Line is that they acted, at the relevant times, as the shipping agents for Chevron, which impose on them, so Haifa Port claims, a duty to pay the handling fees on Chevron's behalf. The proceeding is at a preliminary stage, and a statement of defense has not yet been filed in response. A pretrial hearing in the proceeding has been scheduled for November 28, 2021.

NOTE 9: CAPITAL

A. In the first half of 2021, 378,999 options (Series 10) were exercised for 378,999 shares of NIS 1 par value of the Company in consideration for NIS 29 million and 119,203 options (Series 12) for 119,203 shares of NIS 1 par value each for NIS 9 million.
In addition, one option (Series 10) expired.
As at June 30, 2021, and 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).

B. In April 2021, the Company issued 63,400 shares of NIS 1 par value in consideration for NIS 10 million.

C. Subsequent to the balance sheet date, in August 2021, the Company issued 274,264 shares of NIS 1 par value each (189,064 shares of NIS 1 par value for the public and 85,200 shares of NIS 1 par value in a private placement), and 47,266 options (Series 13) for the public. Each option (Series 13) is exercisable for one ordinary share of the Company up to August 5, 2022 in consideration for an exercise premium (adjusted for dividend, benefit, and rights) in the amount of NIS 300 per option. The consideration from the issuance (before issuance expenses) amounted to NIS 50 million.

D. Shortly before the approval date of the financial statements, after the issuance of the shares and the options, and the exercise of the options, as set out in sections A to C above, the issued and paid-up share capital of the Company amounts to 17,995,583 shares of NIS 1 par value each.

NOTE 10: FINANCIAL INSTRUMENTS

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

A. Fair value

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

	Carrying amount		Fair value	
	June 30 2021 Unaudited	December 31 2020 Audited	June 30 2021 Unaudited	December 31 2020 Audited
	NIS millions			
Debentures	18,273	15,840	19,103	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 June 30, 2021 compared with the hierarchy in the Annual Financial Statements.

B. Classification of financial instruments according to fair value level

1. June 30, 2021

Financial assets measured at fair value

	Level 1	Level 2	Level 3
		Unaudited	
		NIS millions	
Financial assets at fair value through profit or loss			
Shares	11	-	-
Seller's loan to the buyers of The Phoenix	-	-	199
Royalties receivable for the sale of the Karish and Tanin leases	-	-	836
Loan provided for the sale of the Karish and Tanin leases	-	208	-
Financial derivatives	-	16	-
Financial assets at fair value through other comprehensive income			
Cash flow hedging transactions	-	6	-

Financial liabilities measured at fair value

	Level 1	Level 2	Level 3
		Unaudited	
		NIS millions	
Financial liabilities at fair value through profit or loss			
Contingent consideration	-	-	19
Financial liabilities at fair value through other comprehensive income			
Cash flow hedging transactions	-	951	-

NOTE 10: FINANCIAL INSTRUMENTS (CONTD.)

B. Classification of financial instruments according to fair value hierarchy (contd.)

2. June 30, 2021:

Financial assets measured at fair value

	Level 1	Level 2	Level 3
		Unaudited	
		NIS millions	
Financial assets at fair value through profit or loss			
Shares	113	-	-
Seller's loan to the buyers of The Phoenix	-	-	69
Royalties receivable for the sale of the Karish and Tanin leases	-	-	588
Loan provided for the sale of the Karish and Tanin leases	-	245	-
Financial derivatives	-	24	-
Financial assets at fair value through other comprehensive income			
Cash flow hedging transactions	-	742	38
Shares	38	-	-

Financial liabilities measured at fair value

	Level 1	Level 2	Level 3
		Unaudited	
		NIS millions	
Financial liabilities at fair value through profit or loss			
Contingent consideration	-	-	49
Financial liabilities at fair value through other comprehensive income			-
Cash flow hedging transactions	-	152	-

NOTE 10: FINANCIAL INSTRUMENTS (CONTD.)

B. Classification of financial instruments according to fair value hierarchy (contd.)

3. December 31, 2020

Financial assets measured at fair value

	Level 1	Level 2	Level 3
		Audited	
		NIS millions	
Financial assets at fair value through profit or loss			
Shares	21	-	-
Seller's loan to the buyers of The Phoenix	-	-	143
Royalties receivable for the sale of the Karish and Tanin leases	-	-	779
Loan provided for the sale of the Karish and Tanin leases	-	232	-
Financial derivatives	-	22	-
Financial assets at fair value through other comprehensive income			
Shares	55	-	-
Cash flow hedging transactions	-	80	-

Financial liabilities measured at fair value

	Level 1	Level 2	Level 3
		Audited	
		NIS millions	
Financial liabilities at fair value through profit or loss			
Contingent consideration	-	-	46
Financial liabilities at fair value through other comprehensive income			
Cash flow hedging transactions	-	340	-

NOTE 10: FINANCIAL INSTRUMENTS (CONTD.)

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 June 30, 2021:

- Transactions on the price of oil

	Period	Quantity (K barrels of oil)	Average exercise price (USD/barrel)
Swap	July 2021 - December 2023	6,559	47
Put	July 2021 - December 2022	4,751	60

- Transactions on the price of gas

	Period	Quantity (ktherms)	Average exercise price (penny per thermal unit)
Swap	July 2021 - March 2023	223,700	44
Put	July 2021 - December 2022	114,700	43

The acquisition cost of the hedging transactions amounts to USD 41 million, of which an amount of USD 23 million will be repaid by the end of 2021 and the balance will be repaid in 2022.
The transactions are accounted for as hedge accounting. As at June 30, 2021, the net fair value of the hedge transactions amounted to a liability of USD 288 million (NIS 940 million).

NOTE 11: 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.
- Fuel operations in Israel: The main operation is marketing and sale of fuels and commodities at gas stations and other outlets.
- 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.

B. Segment reporting

1) Revenue

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020 *)	2021	2020 *)	2020
	Unaudited				Audited
	NIS millions				
Revenue from external sources					
Oil and gas exploration and production in Israel and its surroundings	1,564	1,172	786	498	2,667
Development and production of oil and gas assets in the North Sea	2,085	2,190	959	971	4,052
Other segments	5	5	(1)	2	8
Inter-segment and adjustments **)	-	(35)	-	(19)	(56)
Total in statement of income	3,654	3,332	1,744	1,452	6,671

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

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

NOTE 11: OPERATING SEGMENTS (CONTD.)

B. Segment reporting (contd.)

2) Segment results

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020 *)	2021	2020 *)	2020
	Unaudited				Audited
	NIS millions				
Oil and gas exploration and production in Israel and its surroundings	1,007	411	515	4	705
Development and production of oil and gas assets in the North Sea	927	(2,749)	545	340	(734)
Other segments	9	21	(3)	2	24
Adjustments **)	(20)	(59)	(5)	(29)	(89)
Operating profit (loss)	1,923	(2,376)	1,052	317	(94)

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

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

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020 *)	2021	2020 *)	2020
	Unaudited				Audited
	NIS millions				
Oil and gas exploration and production in Israel and its surroundings	340	(53)	174	(211)	117
Development and production of oil and gas assets in the North Sea	358	(2,240)	217	102	(1,132)
Other segments	8	23	(3)	2	24
Adjustments **)	(220)	(421)	(107)	(133)	(668)
Profit (loss) from continuing operations attributable to shareholders of the Company	486	(2,691)	281	(240)	(1,659)

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

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

Delek Group Ltd.

Financial Information from the Interim Consolidated Financial Statements

Attributed to the Company

As at June 30, 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 June 30, 2021, published as part of the periodic reporting ("Consolidated 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

	June 30		December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	22	62	130
Short-term investments	534	24	84
Income tax receivable	29	19	29
Other receivables	21	41	67
	606	146	310
Assets held for sale	18	93	51
Total current assets	624	239	361
Non-current assets			
Investments in investees and partnerships	2,830	2,104	2,589 *)
Loans and capital notes to investees	4,910	5,029	4,913
Financial assets	11	69	21
Long term loans and debit balances	373	258	307
Financial derivatives	-	12	-
Investment property	196	188	196
Fixed assets, net	46	49	46
Total non-current assets	8,366	7,709	8,072
	8,990	7,948	8,433

*) Retrospective reconciliation, see Note 5.

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

	June 30		December 31
	2021	2020	2020
	Unaudited		Audited
	NIS millions		
Current liabilities			
Debentures including current maturities	5,460	5,811	5,263
Borrowings, bank loans and others, including current maturities	-	507	113
Loan from a subsidiary	39	-	28
Other payables	173	149	158
Total current liabilities	5,672	6,467	5,562
Non-current liabilities			
Loans from subsidiaries	895	-	774
Loans from others	104	-	-
Other liabilities (primarily liability for decommission of long term assets)	7	53	11
Total non-current liabilities	1,006	53	785
Equity attributable to equity holders of the Company			
Share capital	19	14	18
Share premium	2,396	2,041	2,341
Proceeds for conversion options and warrants	30	30	38
Retained earnings	2,170	314	1,589 *)
Foreign currency translation differences for foreign operations	(861)	(506)	(933)
Reserve for transactions with non-controlling interests	(680)	(672)	(677)
Other reserves	(448)	521	24
Treasury shares	(314)	(314)	(314)
Total capital	2,312	1,428	2,086
	8,990	7,948	8,433

*) Retrospective reconciliation, see Note 5

August 25, 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

	Six months ended June 30		Three months ended June 30		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS millions				
Revenue from overriding royalties and gas sales (net of royalties)	1	4	-	2	7
Rental fees	5	4	-	1	5
Company's share in earnings (losses) of partnerships and investees, net	705	(2,542)	390	(55)	(1,138) *)
Management fees from investees	-	1	-	1	1
Total revenue (expenses)	711	(2,533)	390	(51)	(1,125)
Production cost of gas sold	1	4	1	2	6
General and administrative expenses	15	25	7	11	30
Other expenses, net	(10)	(130)	-	(127)	(124)
Operating profit (loss)	685	(2,692)	382	(191)	(1,285)
Net financing income (expenses) with respect to loans to investees and others	(2)	24	(2)	10	40
Financing income (expenses) (mainly for financial investments), net	(11)	(160)	-	12	(207)
Financing expenses (mainly with respect to debentures)	(180)	(176)	(97)	(86)	(343)
Profit (loss) from continuing operations	492	(3,004)	283	(255)	(1,795)
Profit (loss) from discontinued operations, net	89	(88)	19	(71)	(22)
Net profit (loss) attributed to Company shareholders	581	(3,092)	302	(326)	(1,817)

*) Retrospective reconciliation, see Note 5.

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

	Six months ended June 30		Three months ended June 30		Year ended December 31,
	2021	2020	2021	2020	2020 *)
	Unaudited				Audited
	NIS millions				
Net profit (loss) attributed to Company shareholders	581	(3,092)	302	(326)	(1,817)
Other comprehensive income (loss)					
Amounts not reclassified to profit or loss:					
Profit (loss) from an investment in equity instruments measured at fair value through other comprehensive income	-	(11)	-	11	(11)
Other comprehensive income (loss) attributable to partnerships and investees	65	(61)	6	5	(64)
Revaluation for transfer from fixed assets to investment property	-	-	-	-	27
Total	65	(72)	6	16	(48)
Amounts classified or reclassified to profit or loss under specific conditions:					
Adjustments for translation of financial statements of foreign operations	59	20	(95)	(128)	(310)
Other comprehensive income (loss) attributable to partnerships and investees (after tax effect)	(524)	702	(362)	(525)	84
Total	(465)	722	(457)	(653)	(226)
Total other comprehensive income (loss) from continuing operations	(400)	650	(451)	(637)	(274)
Total comprehensive income (loss) attributed to Company shareholders	181	(2,442)	(149)	(963)	(2,091)

*) Retrospective adjustment, see Note 5.

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

	Six months ended June 30		Three months ended June 30		Year ended December 31,
	2021	2020	2021	2020	2020 *)
	Unaudited				Audited
	NIS millions				
Cash flows from the Company's operating activities					
Net profit (loss) attributed to Company shareholders	581	(3,092)	302	(326)	(1,817)
Adjustments to reconcile statement of cash flows from the Company's ongoing operations (a)	(732)	3,061	(358)	239	1,635
Net cash used for the Company's current operations	(151)	(31)	(56)	(87)	(182)
Cash flows from the Company's investment activities					
Investments in property, plant and equipment and investment property	-	(2)	-	(1)	(2)
Proceeds from disposal of financial assets	23	83	-	83	90
Proceeds from sale of investments in investees	-	207	-	207	207
Short term deposits, net	(453)	31	(515)	-	(53)
Investment in financial assets, net	-	(13)	-	-	(13)
Proceeds from disposal of investment property	-	33	-	-	33
Long-term deposits	(8)	(112)	(3)	-	(178)
Collection of long-term deposits	-	138	-	138	220
Repayment (provision) of loans provided to others	67	5	34	3	(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	85	(155)	11	(119)	(357)
Net cash from (used for) the Company's investment operations	(286)	215	(473)	311	264
Cash flows from the Company's financing activities					
Issue of share capital and options (less issue costs)	10	135	10	135	347
Proceeds from exercise of options for shares of the Company	38	-	14	-	100
Issue of debentures (less issuance expenses)	515	-	515	-	-
Dividend paid to shareholders of the Company	-	-	-	-	-
Short term borrowings from banks and others, net	-	(243)	-	(144)	(631)
Loans from subsidiaries	138	-	40	-	862
Repayment of loans to subsidiaries	(12)	(257)	(9)	-	(301)
Loans received from others	104	-	-	-	-
Repayment of loans from banks and others	(113)	(86)	-	(86)	(92)
Buy back of debentures	-	(5)	-	-	(5)
Repayment of debentures	(351)	(350)	(76)	(75)	(916)
Net cash from (used for) the Company's financing operations	329	(806)	494	(170)	(636)
Exchange differences for cash and cash equivalents	-	(1)	-	-	(1)
Increase (decrease) in cash and cash equivalents	(108)	(623)	(35)	54	(555)
Cash and cash equivalents at the beginning of the period:	130	685	57	8	685
Cash and cash equivalents at the end of the period	22	62	22	62	130

*) Retrospective reconciliation, see Note 5.

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

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	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
Loss from disposal of investment in an investee	-	127	-	127	127
Decrease (increase) of loans granted, net	(19)	49	(10)	56	(26)
Impairment (appreciation) of investments and loans provided, net	10	155	(2)	(11)	179
Company's share in the expenses of investees and partnerships *)	(697)	2,722	(389)	64	1,326
Impairment of liabilities, net	55	2	38	1	29
Change in fair value of financial derivatives, net	-	6	-	(3)	17
Revaluation of other long-term assets	(90)	(7)	(20)	(2)	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	7	24	2	2	14
Increase (decrease) in other accounts payable	(8)	(21)	23	5	(36)
	(732)	3,061	(358)	239	1,635
*) Net of dividends received	8	180	-	9	191
(B) Company's significant non-cash activities					
Dividend receivable from investees and partnerships	-	-	-	-	6
Acquisition of Company shares by a subsidiary partnership	-	60	-	-	60
Purchase of debentures and convertible debentures of the Company by subsidiaries	-	-	-	-	21

*) Retrospective reconciliation, see Note 5.

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

	Six months ended June 30		Three months ended June 30		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS millions				
(C) Additional information on cash flows					
Cash paid by the Company during the period for:					
Interest	151	157	43	54	330
Cash paid by the Company during the period for:					
Interest	-	1	-	-	2
Dividends	8	180	-	9	191

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 at December 31, 2020, and for the year then ended and their accompanying notes, and in conjunction with the interim consolidated financial statements as at June 30, 2021 ("Interim Consolidated Financial Statements").

B. Financial position of the Company

As at June 30, 2021, the Company (separate) has working capital deficit of NIS 5 billion, and the Group (consolidated) has working capital deficit of NIS 4 billion, mainly due to classification of debentures and other liabilities (beyond current maturities) as short term, in the amount of NIS 3.5 billion. 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.

Based on the original repayment schedules, in the period between July 2021 and June 2022, the Company and the Staff Companies have repayments (of principal and interest) amounting to NIS 2.3 billion and in the period between July 2022 and June 2023, another NIS 1.3 billion.

C. Measures the Company adopted during the Reporting Period that have strengthened its financial position

As part of the implementation of its plans, the Company executed the following transactions during the Reporting Period and subsequent to the end of the reporting period:

- In June-July 2021, the Company issued a new series of debentures (Series B35) the total proceeds of which amounted to NIS 770 million. For further information, see Note 6A to the Interim Consolidated Financial Statements.
- Subsequent to balance sheet date, the Company performed a number of additional actions as follows:
  - In July 2021, Ithaca completed the refinancing of its debts. Following the refinancing, Ithaca paid off a shareholders' loan provided by the Company in the amount of NIS 800 million (USD 250 million).
  - In August 2021, the Company issued share capital in an amount of NIS 50 million. For further information, see Note 9 to the Interim Consolidated Financial Statements.
  - In August 2021, the Company sold 2 gas stations it owned for proceeds of NIS 19 million.
- In the first quarter of 2021, the Buyer of Delek Israel exercised its option to acquire 5% of Delek Israel's issued and paid-up share capital and also paid half of the deferred consideration (see Note 1C(4) to the Consolidated Financial Statements as at December 31, 2020, regarding the disposal of the Group's investment in Delek Israel). The total consideration that the Group received as a result thereof amounted to NIS 75 million. In June 2021, the balance of the deferred consideration, in the amount of NIS 38 million, was exercised and the rest of the additional shares, 5%, were transferred to the Buyer. As at June 30, 2021, the Group holds 25% of the issued and paid-up share capital of Delek Israel. For further information, see Note 3B to the Interim Consolidated Financial Statements.

NOTE 1 – GENERAL (CONTD.)

C. Measures the Company adopted during the Reporting Period that have strengthened its financial position (contd.)

- In the Reporting Period options were exercised for Company shares in an amount of NIS 38 million, and shares in an amount of NIS 10 million were issued. For further information, see Note 9 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 mortgage on the building in Herzliya that it owns. The loan was mainly used to repay an earlier loan received with regard to this Property. For further information, see Note 7A to the Interim Consolidated Financial Statements.
- In March 2021, the Group signed an agreement (with terminating conditions) 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.

The Company is continuing to move forward, and makes every effort to carry out an equity transaction in Ithaca with respect to its investment therein, including issuing on the London Stock Exchange and also deems the refinancing that Ithaca completed subsequent to balance sheet date in a total amount of USD 1.85 billion as part of this effort (as set out in Note 5N to the Interim Consolidated Financial Statements). Furthermore, as part of its strategy, the Company is also considering the disposal of additional assets and obtaining loans and/or is assessing partial exchange of debentures.

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

In June 2020 and in May 2021, the Company reached agreements with the representatives of its Debenture Holders and with the banks. For further information regarding the events, agreements and criteria set out under such agreements, see Notes 1C and 19G to the Consolidated Financial Statements as at December 31, 2020, and Note 6B to the Interim Consolidated Financial Statements.

E. The Covid-19 Pandemic

During 2020, the Covid-19 pandemic broke out (and is still ongoing), which resulted in a significant slowdown in the global economy and in Israel, and caused a significant drop in oil and gas prices.
For information concerning the impact of the Covid-19 pandemic see Notes 1B, 1C and 19 to the Consolidated Financial Statements as at December 31, 2020.
In the Reporting Period the oil prices began to rise (compared with the prevailing prices at the end of 2020).

F. Conclusion

The Company has acted successfully and is continuing to act to further execute its business plans, including as follows: Further equity transactions in its investees, including 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. In addition, as at the date of approval of the financial statements, the Company has a number of alternatives in the event that any of its business plans for the near future fail to materialize and/or do not materialize in full, including, among other things, by financing and/or disposal of additional assets available to it, such as 100% of Ithaca shares, the Phoenix Seller's Loan, the sale of a real estate property owned by it and its proven ability to raise equity.
Based on the Company's past experience, and the Company's proven ability to raise the resources needed to meet its commitments, which have also been seen over the past year and a half (during the global Covid-19 pandemic), the Company believes that its plans are reasonable and have a good chance of succeeding.

NOTE 1 – GENERAL (CONTD.)

F. Conclusion (contd.)

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 is required to raise capital, dispose of assets and investments, raise debt based on assets and investments, and receive dividends from investees. The foregoing amounts of resources are required for the repayment of the liabilities of the Company and its Staff Companies, as follows: In the period from July 1, 2021 through June 30, 2022, the Company and Staff Companies are required to repay liabilities to the Debenture Holders, financial institutions and others in an amount of NIS 2.3 billion and from July 1, 2022 through June 30, 2023, an amount of NIS 1.3 billion).

As the execution of the Company's plans is not under its sole control and is dependent, inter alia, on third parties and/or market conditions, and in view of the financial criteria prescribed with the Debenture Holders and other lenders (the key criteria being upgrading the rating for the Debentures to BBB minus), which could, if the rating is not upgraded as aforesaid by the set dates, require obtaining their agreement not to call for the immediate repayment of the Debentures, there is uncertainty as to the actual realization of the foregoing plans. These factors raise concerns about the Company's ability to continue as a going concern.
It is hereby emphasized that 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.

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 forth in Note 8 to the Consolidated Interim Financial Statements.

NOTE – DEBENTURES

With regard to the repayment of debentures convertible for Company shares see Note 6A to the Interim Consolidated Financial Statements.

NOTE 4 – CAPITAL

For information concerning the exercise of options and issue of shares of the Company, see Note 9 to the Consolidated Interim Financial Statements.

NOTE 5 – RETROSPECTIVE RECONCILIATION OF COMPARATIVE FIGURES

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

NOTE 6 – AGREEMENTS WITH DEBENTURE HOLDERS

On May 30, 2021, the general meeting of the holders of the various series of the Company's debentures approved the amended deed of trust of each of the series, for further information regarding the amendment, see Note 6B 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 over Financial Reporting and Disclosure, Pursuant to Regulation 38C(a):

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

For this matter, the members of Management are:

1. Idan Wallace, CEO.
2. Tamir Polikar, Executive VP & CFO.
3. Leora Pratt Levin, Chief Legal Counsel.
4. Tamar Rosenberg, Director of Finance & Head of Corporate Accounting.

Internal control over 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 these 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 these 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 over 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 over Financial Reporting and Disclosure, which was attached to the Periodic Report for the period ended December 31, 2020 (hereinafter - "the Most Recent Annual Report of Internal Control"), 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.

As of 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 control, as reported in the Most Recent Annual Report of Internal Control.

As of the report date, based on the Report on the Effectiveness of Internal Control in the annual report and based on information brought to the attention of Management and the Board of Directors as stated above, the internal control is 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 Reports for the Interim Period and other financial information of Delek Group Ltd. (hereinafter - "the Corporation") for the second quarter of 2021 (hereinafter - "the Reports" or "the Reports for the Interim Period");

(2) To the best of my knowledge, the Reports for the Interim Period and other financial information included in the Reports for the Interim Period do not include any misrepresentation of a material fact and lack any representation of any vital, material fact, such that the representations included therein, under the circumstances in which the representations have been included, 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, in all material respects, the financial position, the results of operations and the cash flows of the Corporation at the dates and for the periods covered by the Reports;

(4) I disclosed to the independent 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 over the financial reporting and disclosure:

   (a) all the significant flaws and material weaknesses in the determination or operation of the internal control over 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 -

   (b) any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;

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

   (a) have established controls and procedures or ascertained the establishment and upholding of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 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 -

   (b) have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

   (c) No event or matter has been brought to my attention during the period between the most recent periodic report date 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 over the Corporation's financial reporting and disclosure.

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

August 25, 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 Reports for the Interim Period and other financial information of Delek Group Ltd. (hereinafter - "the Corporation") for the second quarter of 2021 (hereinafter - "the Reports" or "the Reports for the Interim Period");

(2) To the best of my knowledge, the Reports for the Interim Period and other financial information included in the Reports for the Interim Period do not include any misrepresentation of a material fact or lack any representation of any vital, material fact, such that the representations included therein, under the circumstances in which the representations have been included, shall not be misleading in respect of the period covered by the Reports;

(3) To the best of my knowledge, the Reports for the Interim Period and other financial information included in the Reports for the Interim Period reflect fairly, in all material respects, the financial position, the results of operations and the cash flows of the Corporation at the dates and for the periods covered by the Reports:

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

   (a) 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 related 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 -

   (b) (any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure.

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

   (a) have established controls and procedures or ascertained the establishment and upholding of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 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 -

   (b) have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

   (c) no event or matter has been brought to my attention during the period between the most recent periodic report date and the date of this Report that relates to the Reports for the Interim Period and to any other 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 over the Corporation's financial reporting and disclosure.

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

August 25, 2021

Tamir Polikar
Deputy CEO & CFO